
CHAPTER 2: CONVEYED HOME PROPERTIES

2-1 GENERAL.

- A. The procedures set forth in this chapter are applicable to claims involving:
 - 1. The conveyance of a property to HUD.
 - 2. Conveyance of properties formerly subject to coinsured mortgages which have become fully insured (when 60 payments are made). (See Chapter 5 for instructions for Coinsurance claims.)
 - 3. Cases where the Claims Without Conveyance of Title procedures were followed but the mortgagee was the successful bidder at the foreclosure sale for an amount not in excess of the Commissioner's Adjusted Fair market value and has elected to convey the property to HUD. (See Chapter 6 for CWCOT instructions).
- B. In order to receive mortgage insurance benefits, the mortgagee must convey the property to HUD unless:
 - 1. The mortgagee assigned the mortgage to HUD pursuant to the assignment program (24 CFR 203.650) or the assignment option (24 CFR 221.255).
 - 2. The loan is actively co-insured (less than 60 payments were made) (24 CFR 204.251(k)).
 - 3. The property was sold by the mortgagor with HUD authority under the Pre-foreclosure Sales Program.
 - 4. HUD has requested or required the mortgagee to use Claims Without Conveyance of Title procedures (24 CFR 203.368).
 - 5. The mortgagee assigned the mortgage to HUD pursuant to Section 248 of the National Housing Act (Indian land), Section 247 of the National Housing Act (Hawaiian homelands) or Section 203g of the National Housing Act (Allegheny Reservation of the Seneca Nation of Indians).

* C. The authority for the payment of mortgage insurance claims and the conditions of eligibility for mortgage insurance benefits on conveyance of home mortgage properties are contained in Section 204 of the National Housing Act (12 USC 1710) *

2-2 TIME REQUIREMENTS.

The mortgagee must comply with the following time requirements when submitting a claim involving conveyance of a property (24 CFR 203.355). Failure to comply will result in curtailment of debenture interest to the date action should have been taken or to the date to which it was extended by HUD (24 CFR 203.402(k)).

* A. Institution of Foreclosure.

1. Default. (24 CFR 203.355(a)) Institute foreclosure (or obtain and record a deed-in-lieu of foreclosure) to acquire the mortgaged property within nine months from the date of default. (One year if the date of default was prior to December 1, 1992) *

Note: Although subsequent payments may be sufficient to advance the date of default when applied to overdue monthly payments, if the time requirement to initiate foreclosure or record a deed-in-lieu has been missed such payments will not change the mortgagee's failure to comply with the time requirement unless the payments are sufficient to cure the default.

* 2. Vacancy. (24 CFR 203.355(b))
(a) If the mortgage is in default and the property has been determined to be vacant or abandoned (for vacancies on or after August 1, 1993) foreclosure must be instituted (or a deed-in-lieu of foreclosure must be obtained and recorded) by the earlier of:

- (1) nine months after the date of default; or
- (2) 120 days after the date the property became vacant, was discovered vacant, or should have been discovered vacant.

(b) Generally a mortgagee will discover that a property is vacant when it is inspected pursuant to 24 CFR 203.377 (see paragraph 2-11 B). If the mortgagee failed to inspect the property within the specified time period, or failed to discover the vacancy, the vacancy date will be considered to be the last date on which the mortgagee should have performed the inspection under the regulation.

(c) If the property became vacant prior to an inspection and the mortgagee has knowledge of such vacancy, then the date the property became vacant will be considered the vacancy date. A mortgagee may acquire knowledge of vacancy by complaints of an unkempt and apparent vacant condition of the premises, condemnation or other notices requesting that the mortgagee secure the property, notice of utility disconnection or billings from the local jurisdiction for debris removal, snow removal or lawn cuttings resulting from local code violations.

(d) If the mortgage on a vacant property is not in monetary default there is no requirement that the mortgagee initiate foreclosure. However, if the mortgage later goes into monetary default, the 120 day time requirement begins on the date of default, not the date of vacancy.

(e) If the property has more than one unit (e.g., 2, 3 or 4 units) the time period begins when all units have become, or should have been discovered to be, vacant or abandoned.

(f) Foreclosure on vacant or abandoned property should not be delayed because of the notice requirements of 24 CFR 203.650 and 203.651 (the Assignment Program) or due to pre-foreclosure sales under 24 CFR 203.606. *

* 3. Foreclosure Initiation Date. HUD considers * foreclosure instituted when the mortgagee takes the first public action required by law such as filing a complaint or petition, recording a notice of default, or publication of a notice of sale. Merely posting notice on the property is not sufficient. The action must be established as a public record through a filing, recording, or a publication in a newspaper of general circulation as required by law. See Appendix 6 for a state by state listing of the first public actions considered by HUD to be required to commence (initiate) foreclosure.

* 4. Foreclosure Prohibition. If the mortgagee is unable * to initiate foreclosure or obtain and record a deed-in-lieu within the required time because:

(a) state or local law prevents or delays action;

(b) bankruptcy has been instituted; or,

(c) HUD notified the mortgagee to delay initiation pending a determination of assignment acceptability;

then up to 60 calendar days after the release of these actions to initiate foreclosure is allowed. A request for an extension of time to institute foreclosure is not required under these conditions, provided foreclosure is instituted within 60 days from the date of release of such actions or does not exceed nine months from the date of default. An additional extension may be allowed if the mortgagee must send the letters under the assignment program or send notices required by State law after the mortgage is released from bankruptcy stay (See paragraph 2-17A). The date of release must be entered in Item 21 Form HUD 27011 and the expiration date of the extension must be entered in Item 19.

*

* NOTE: This time requirement is also applicable if foreclosure has been initiated and interrupted by a bankruptcy, and state law requires a new foreclosure to be initiated. *

* 5. Assignment Letter. Prior to the institution of foreclosure, mortgagees are required to send certain * notification letters to the mortgagor (see Handbook 4330.1 for specific requirements) which provide the mortgagor with an opportunity to cure the default or request HUD to accept an assignment of the mortgage if the mortgagee has not made such a recommendation. Mortgagees are expected to meet these notification requirements within the nine month time frame. HUD #2 or #3 letter should be issued at least 20 days prior to the expiration of the nine months limit or the limit will not be extended.

* 6. Combined Extensions. Additional extensions for both assignment letters and State law notices will not be permitted unless State law prohibits taking the two actions simultaneously. See paragraph 2-17 A.

7. Special Forbearance. The mortgagee must commence foreclosure within 90 days following the date the mortgagor fails to meet the requirements of a special forbearance under 24 CFR 203.614. See paragraph 1-6.

8. Pre-foreclosure Sales. If the pre-foreclosure sale is unsuccessful, mortgagees have 60 days from the date a mortgagor's bona fide participation in the pre-foreclosure sale procedure ends either to accept a deed-in-lieu or initiate foreclosure. See paragraph 1-6.

*

B. Notice of Foreclosure. (24 CFR 203.356) Provide written notice to HUD that foreclosure has been instituted. The notice must be furnished within 30 calendar days of the institution of foreclosure. This requirement is satisfied only by submission of a complete and correct HUD Form 92068A, the monthly Single Family Default Monitoring System (SFDMIS) report.

C. Prosecuting Foreclosure. (24 CFR 203.356) Regulation 203.356 requires the mortgagee to "exercise reasonable diligence in * prosecuting the foreclosure proceedings to completion and in acquiring title to and possession of the property". Differences in state procedures and redemption periods will affect the * length of time required to complete foreclosure, therefore, the required time will depend on the location of the mortgaged property.

1. HUD will consider the mortgagee to have exercised "reasonable diligence" when the time frames shown in Appendix 7 are met in routine completed uncontested foreclosures. These time frames may be revised from time to time by mortgagee letter as local circumstances may require.

2. The time frames are measured from the initiation to the completion of foreclosure. Initiation of foreclosure is the first public action required by law, such as filing a complaint or petition, recording a notice of default, or publication of a notice of sale. Completion of foreclosure is the date on which the Sheriff's, Trustee's, etc. deed or certificate of title is recorded. The deed is generally executed after the expiration of the redemption period and before eviction of the occupant. Therefore, the time frame includes redemption but not eviction.

* NOTE: Where state law allows, mortgagees are encouraged to take available actions to reduce the redemption period on vacant or abandoned property. If the expense to reduce the redemption period will exceed \$250, local HUD office approval should be requested.

*
3. Debenture interest will not be curtailed if the time frame is exceeded for reasons beyond the control of the mortgagee or the mortgagee's agent. Examples of such circumstances are: bankruptcy petition filed after foreclosure initiation; contested foreclosures; overcrowded court calendars; delays in obtaining service of process, etc. A valid cause for exceeding the time frame may arise where the title is conveyed directly to HUD (see paragraph 2-8). HUD recognizes that prior approval to exceed this time frame

would be burdensome or unfeasible for both mortgagee and field office and therefore it will not be required.

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* NOTE: If bankruptcy interrupts the completion of foreclosure and a new foreclosure is not required after the lifting of the bankruptcy stay, and some action is required by the court to continue or recommence the foreclosure, the mortgagee is expected to take such action to recommence the foreclosure within 60 days of the bankruptcy stay being lifted. Reasons (beyond the mortgagee's control) for exceeding the 60 days must be adequately documented.

*

4. When the time frame is missed for reasons within the mortgagee's control, mortgagees must enter a date in Item 31 on the claim form to curtail interest.

5. If the mortgagee is of the opinion that there is justification for exceeding the time frame, a brief note of the cause of delay should be entered in the Mortgagee's Comment section of Part A and supporting documentation must be placed in the claim file.

The cause of delay and the documentation will be examined for justification at the time of the post claims review. If not justified, the mortgagee will be required to refund to HUD any overpaid debenture interest.

6. Supporting documentation such as attorney's correspondence or copies of court records must be retained in the claim review file. It would be impossible to attempt to identify all types of documentation which HUD would consider acceptable. However, there are several examples where the claim review file must contain specific documentation other than the attorney's correspondence. Several obvious examples are as follows: where the mortgagee identifies the pursuit of a deficiency judgment at HUD's request as the cause of the delay, the claim review file must contain a copy of HUD's request; and for bankruptcy delays maintain copies of the bankruptcy court's notifications.

D. Conveyance to HUD. (24 CFR 203.359) After acquiring good and marketable title to and possession of the property the mortgagee shall transfer the property to the Commissioner.

* 1. For mortgages insured under a firm commitment issued prior to November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's

approved underwriter prior to November 19, 1992:

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(a)within 30 days after acquiring possession of the property by foreclosure or other means; or

(b)within such further time as may be necessary to complete the title examination and perfect the title.

2. For mortgages insured under a firm commitment issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992, within 30 days of the later of:

(a)filing for record the foreclosure deed;

(b)recording date of a deed-in-lieu of foreclosure;

(c)acquiring possession of the property;

(d)expiration of the redemption period; or

(e) such further time as HUD may approve in writing. *

3. This time may be extended with written HUD Field Office approval, if it becomes necessary to correct a title defect or some other legitimate event delays conveyance.

4. The mortgagee must certify that the property contains no personal property at the time of conveyance (unless the secretary has agreed to accept occupied conveyance) so the mortgagee must act promptly to assure that all personal property has been removed within 30 days after

* acquiring title and possession. For mortgages insured under a firm commitment issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992, the mortgagee will not be reimbursed for the cost of protecting, operating, preserving or inspecting the property or removing debris from the property incurred after the deadline for conveyance of the property. (24 CFR 203.402(g)(2)) *

5. In some areas the foreclosure deed may convey title directly to the Secretary instead of the mortgagee. This practice is encouraged by HUD because it avoids payment of additional transfer taxes by the insurance fund. (See paragraph 2-8 for claim procedures in direct conveyance

* cases.) In such direct conveyance cases the property must be transferred to HUD within 30 days after the reasonable diligence time frame for completion of foreclosure and acquisition of title and possession specified in paragraph 2-2 C above.*

6. HUD will accept the date the deed (to the Secretary) is mailed to the recording authority (not to the attorney) as the date the deed is filed for record. If the mortgagee elects to use the mailing date that date will be considered as the filing date for all claim purposes. In the event a deed-in-lieu of foreclosure is directly conveyed to HUD, the mortgagee may use the mailing date for both items 10 and 11 on the claim.

*
E. Submit Claim to HUD Headquarters. (24 CFR 203.360) Submit the original Part A of Form HUD-27011 to the Department of Housing and Urban Development on the date the deed to the Secretary is filed for record (or the date the deed is mailed to the recording authority). The original of the Mortgage Insurance Certificate (MIC) must accompany Part A of form HUD-27011 to be considered a complete Part A submission. Part A and the MIC must be mailed on the date the deed to the Secretary is filed for record (or the date the deed is mailed to the recording authority) and must be received in Headquarters within 10 days of the date the deed is filed. Failure to meet these submission requirements will result in an interest curtailment. *

F. Submit Claim to Field Office. (24 CFR 203.360) Submit a copy of Part A of Form HUD-27011 to the local HUD office on the date the deed to the Secretary is filed for record. The copy must be accompanied by all required attachments.

* Note: This guidance is intended to ensure that both HUD Headquarters and the HUD field office are notified of the conveyance at the same time. Field office receipt of the HUD Form 27011 verifies that the property is received into HUD's inventory. Failure to timely submit the Part A may result in an interest curtailment or other administration sanctions.

*
G. Submit Title Evidence. (24 CFR 203.365) As soon as possible, but no later than 45 calendar days after the deed is filed for record, send to the local HUD office a copy of the mortgage and the original title evidence reflecting ownership vested in the Secretary. This must be received by the local HUD office within 55 calendar days after the deed is filed for record.

H. Submit Fiscal Data to HUD Headquarters. (24 CFR 203.365) Submit the original Part B of Form HUD-27011 to HUD Headquarters accompanied by the original title approval letter. This part of the form must be mailed within 45 days of the date the deed is filed for record, or received in HUD Headquarters

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within 15 calendar days after the date of the title approval letter, whichever is later.

I. Submit Fiscal Data to Field Office. (24 CFR 203.365) Submit a copy of Part B of Form HUD-27011 and the original of Parts C, D and E to the local HUD office on the date the original Part B is submitted to HUD Headquarters.

2-3 EXTENSION OF TIME REQUIREMENTS.

If the mortgagee cannot comply with the above time requirements for a particular action because of circumstances beyond its control, it should submit a request for an extension of time on Form HUD-50012 to the local HUD office. (See paragraph 1-6).

2-4 CLAIM PAYMENT.

A. Initial Payment. Upon receipt of an acceptable Part A and required attachments, HUD will promptly pay the unpaid principal balance plus debenture interest. Before debenture interest is calculated, the unpaid principal balance will be reduced by the greater of any damage or insurance recovery reported in Item 27. The automated system will determine the amount of debenture interest earned on the balance from the date of default to the date of the initial settlement or to the date of interest curtailment.

B. Final Payment. Upon receipt of an acceptable Part B and required attachments, HUD will promptly pay the mortgagee's expenses and allowances, plus debenture interest. The mortgagee computes the interest for each item in Parts C and D, from the date of disbursement (or default if later) to the date the claim is prepared or curtailed. HUD will compute any additional interest earned after that date.

C. Payment Advice Letter. Within a few days of receipt of payment, the mortgagee will receive a letter giving detailed information on the payment of the claim. The letter is generated by the system. A copy of the letter must be retained in the audit file.

2-5 DEBENTURE INTEREST COMPUTATION.

A. By HUD. HUD will compute the debenture interest on the unpaid principal balance from the date of default to the date of

settlement of Part A and on expenditures from the date of the submission of Part B to the date of settlement of Part B, provided all time requirements have been met. If the mortgagee fails

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to meet a time requirement, HUD will compute debenture interest only to the date the action should have been taken or to the date to which the time was extended by HUD.

B.By the Mortgagee. The mortgagee will compute the debenture interest due on each disbursement itemized in Parts C and D from the date of disbursement (or default if later) to the date Part B is prepared or to the curtailment date, whichever is earlier.

C.Curtailment of Interest. (24 CFR 203.402 (k)) HUD regulations require the mortgagee to take certain actions within specified time periods. If these time requirements are not met, debenture interest allowance will be curtailed. The only exception is when an extension of time has been approved by HUD in writing. This means that if a required action is not taken within the time allowed, interest will be computed only to the date that action should have been taken or to which it was extended.

If the mortgagee fails to perform several actions within the specified time periods, interest will be curtailed to the applicable date of the earliest failure.

For example, if the mortgagee fails to institute foreclosure within nine months of default and fails to submit the title evidence within 45 days after the deed to the Secretary is filed for record and neither time frame was extended by HUD, debenture interest on the unpaid principal balance and on all expenditures is computed only to the date on which foreclosure should have been initiated.

* In most circumstances, HUD's automated system can measure the time between two dates entered on the form, determine if time requirements have been met and calculate the date to which debenture interest should be paid. However, there are four circumstances where it is necessary for the mortgagee to calculate the curtailment date because HUD's system is unable to do so when mortgagees fail to take an action within the specified time period or an approved extension. In one of the following four circumstances, the mortgagee must determine the date on which an action should have been taken (curtailment date) and enter this date in Item 31 of Part A.

*

* 1. Failure to initiate foreclosure within nine month of default

and subsequent payments advance the default date. (24 CFR 203.355(a)) When a loan is in default, and more than nine months have elapsed before foreclosure is initiated with no intervening circumstances such as a bankruptcy or an approved HUD extension of time, the time requirement to initiate foreclosure is considered to have been missed, regardless of whether subsequent payments advance the default date.

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2. Failure to initiate foreclosure on a timely basis where the property is vacant or abandoned. (24 CFR 203.355(b)) When a loan is in default and the property is vacant or becomes vacant and more than 120 days have elapsed from default or vacancy (whichever is later) before foreclosure is initiated with no intervening circumstances such as a bankruptcy or an approved HUD extension of time, the time requirement to initiate foreclosure has been missed. *

* 3. Failure to Give Notice of Foreclosure. (24 CFR 203.356) Within 30 calendar days of institution of foreclosure, written notice must be provided to HUD. This requirement * is satisfied only by submission of a complete and correct HUD Form 92068A, the monthly Single Family Default Monitoring System (SFDMS) report. HUD will not accept any other method of reporting as meeting this requirement. Mortgagees are considered to be in compliance with this requirement when the institution of foreclosure (status B) in a given month is reported on that month's end SFDMS report 92068-A (the next required SFDMS report), or that of the next following month.

4. Failure to Exercise Reasonable Diligence. (24 CFR 203.356) When the reasonable diligence time frame is exceeded without a valid reason. (See Appendix 7 for state by state listing of time frames.)

* The date in Item 31 should never be equal to or later than the date in Item 9. *

The date on which an action should have been taken (curtailment date) should be entered in Items 204 Part C and 304 Part D and 404 Part E. Item 104 Part B will show the actual date Part B was prepared and not the curtailment date.

D. Expenditures Prior to the Date of Default. It is possible that expenditures or advances will be made by mortgagees prior to the date of default. The regulations do not permit the payment of debenture interest on expenses prior to the date of default (24 CFR 203.410(a)). If an expenditure or advancement is made prior to the date of default, debenture interest is computed from

default date. When completing Parts, C, D and E of Form HUD-27011, the mortgagee should enter the date of default in the "Date Paid" column if the expense was paid prior to default. In addition, place the actual date paid in parenthesis following the description.

E. Interest Computations. Enter in Item 204 and Item 304 the date to which interest is calculated. Only when no time requirement or approved extension has been missed will this be the same date as entered in Item 104, Part B. If

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one or more time requirements have been missed enter the earliest date on which a required action should have been taken (the curtailment date). See Appendix 10. When a curtailment date is entered in Item 204 Part C and 304 Part D, enter an asterisk in Item 104 after the date on which Part B is prepared and submitted to HUD and indicate on the form the reason for the curtailment.

The amount of interest to be claimed for an expenditure is to be calculated as follows:

1. Multiply the daily interest rate factor by the amount paid.

2. Multiply this result by the number of days from the date paid (or default date, if later) for each line Item to the earlier of: (i) date in Item 104 (submission date for Part B), or (ii) the date of the earliest time requirement missed. (Item 204 and 304)

Daily Interest Rate Factor tables are provided in Appendix 8 to assist in converting the debenture interest rates to factors. In addition, Julian date calendars are provided in Appendix 9 to assist in determining the number of days from the date the expenditure was paid (or default date, if later) to the date the claim was prepared, Item 104 (or the curtailment date if earlier).

The following three examples are provided to illustrate how debenture interest must be calculated on reimbursable expenses. In the first example, all time requirements were met; in the second example, the requirement to institute foreclosure within nine months of default was missed; and in the third example, the property was not conveyed to HUD within 30 days of possession and marketable title. In all of the examples a debenture interest rate of 8.5 percent is used with a daily interest rate factor of .0002328767. Alternatively, the annual interest rate may be divided by 365. (For a leap year, divide by 366.)

Example 1: All Time Requirements Met.

In this example, all time requirements have been met. The default date was January 1, 1993. Interest on expenditures is calculated from the date of each expenditure (or default date if later) to the date the Part B claim form was prepared. See the Julian Date Calendar (Appendix 9) to calculate the number of days. The following expenditures were Itemized on Parts C and D and included in the amounts claimed on Part B of Form HUD-27011 (Items 110 and 111) submitted June 15, 1994.

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December 10, 1992 \$100 paid for Hazard Insurance Premium (Escrow has been fully depleted)

May 22, 1994 \$25 paid for lawn moving

June 9, 1994 \$156 paid for debris removal

Amount of
Interest to

| Amount Paid | Daily Interest Rate Factor | Days Covered | be claimed on Part C |
|----------------|-------------------------------|---------------------|-------------------------|
| \$100 | x .0002328767 x 531 | (1/01/93 - 6/15/94) | = 12.37 |
| 25 | x .0002328767 x 24 | (5/22/94 - 6/15/94) | = .14 |
| 156 | x .0002328767 x 6 | (6/09/94 - 6/15/94) | = .22 |

In this example, the mortgagee is entitled to interest on the expenses from the date they were paid (or default date if later) up to the date the claim is settled. The mortgagee calculates the interest up to the date the claim form was prepared and submitted, and HUD calculates the interest up the settlement date.

Example 2: Mortgagee Failed to Institute Foreclosure Within Nine Months from the Date of Default.

In Example 2, the mortgagee failed to initiate foreclosure within nine months of the date of default and no extension was requested or granted. As a result, interest does not accrue on any part of the claim beyond the date foreclosure should have been instituted.

Interest must be calculated from the date of the expenditure to the date by which foreclosure should have been instituted. The date of default was January 1, 1993, however foreclosure was not instituted until March 15, 1994. In order for the mortgagee to have met the time requirement, foreclosure should have instituted by October 1, 1993. Interest on reimbursable expenses may only

be claimed and paid to October 1, 1993.

The following expenditures were Itemized on Part C and included in Part B (Item 110), Form HUD-27011, submitted June 15, 1994. Since these expenditures were incurred after October 1, 1993, interest is not payable on these amounts.

| | |
|--------------|-------------------------------|
| May 22, 1994 | \$ 25 paid for lawn mowing |
| June 9, 1994 | \$156 paid for debris removal |

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| Amount Paid | Daily Interest Rate Factor | Days Covered | Interest |
|-------------|----------------------------|--------------------|----------|
| \$ 25 | x .0002328767 x 0 | (5/22/94 - 1/1/93) | = 0.00 |
| 156 | x .0002328767 x 0 | (6/09/94 - 1/1/93) | = 0.00 |

In this case the mortgagee must asterisk the date in Item 104 (June 15, 1994*) and place a notation on the form as follows:

*Failure to institute foreclosure within nine months of the date of default (January 1, 1993). Interest calculated to October 1, 1993.

Example 3: Mortgagee Failed to Convey the Property to HUD Within 30 Days of Possession and Marketable Title.

In Example 3, the mortgagee met the time requirements to institute and to complete foreclosure, but did not convey the property to HUD within 30 days of possession and marketable title.

In this example, the mortgagee had possession of and marketable title to the property on July 2, 1993. The time limit to convey ended August 1, 1993. However, the property was not conveyed, and Part A of the claim was not filed until August 15, 1993. Therefore, interest is calculated from the date of the expenditure (date paid) to the date the time allowed for conveyance expired (August 1). The following expenditures were Itemized on Part C and included in the amount claimed in Item 110 of Part B, Form HUD-27011 submitted September 15, 1993.

| | |
|----------------|-------------------------------|
| July 22, 1993 | \$ 25 paid for lawn mowing |
| August 9, 1993 | \$156 paid for debris removal |

| Amount Paid | Daily Interest Rate Factor | Days Covered | Interest |
|-------------|----------------------------|--------------|----------|
| | | | |

| | | | | |
|-------|--------------------|--------------------|---|-----|
| \$ 25 | x .0002328767 x 10 | (7/22/93 - 8/1/93) | = | .06 |
| 156 | x .0002328767 x 0 | (8/09/93 - 8/1/93) | = | .00 |

In this case the mortgagee should asterisk the date in Item 104 (September 15, 1993*) and place a notation on the form as follows:

*Failure to convey within 30 days of the date in Item 9 (July 2, 1993). Interest calculated to August 1, 1993 (Item 9 plus 30 days).

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In addition to these examples, a table is attached (App. 10 - Conveyances: Earliest Time Requirement Missed), which may be used to help determine the appropriate beginning and ending dates for the calculation of debenture interest. Mortgagees should review their copy of Part A and the Advice of Payment letter (if available) in determining whether a time frame was missed.

2-6 TITLE REQUIREMENTS.

A. Date of Acquisition of Title. The date of acquisition of title is the date the deed or other document conveying title to the mortgagee is filed for record. The deed may be the Sheriff's, Trustee's, etc. deed or certificate of title, or a deed-in-lieu of foreclosure. This date is entered in Item 9, Part A, unless the mortgagee does not yet have possession of the property. If title does not pass through the mortgagee, as in a direct conveyance, the date to be entered in Item 9 is the date the deed to the Secretary is filed for record (same date as Item 10).

B. Acceptable Title. Title conveyed to the Secretary must be good and marketable, and clear of all encumbrances except easements and restrictions of record which have been approved by HUD. The title evidence must show that according to the public records there are no outstanding prior liens, including any past due and unpaid ground rents, general taxes or special assessments.

HUD's decision will be final as to the acceptability of title and title evidence. Notwithstanding a defect in title, HUD may, at its option, accept defective title if the mortgagee agrees to a reduction in benefits.

Deeds shall be recorded in the name of the "Secretary of Housing and Urban Development, his successors and assigns" with the address of the local field office and "Attention: Single Family Property Disposition Branch". The purpose of this instruction is

to assure that taxing authorities will send tax bills to the local office for payment rather than HUD Headquarters.

C.Types of Title Evidence. Submit one of the following types of title evidence of recorded title to the Secretary:

1.Fee or owner's title policy. A fee or owner's policy of title insurance, a guaranty or guarantee of title, or a certificate of title, issued by a title company, duly authorized by law and qualified by experience to issue such instruments. If an owner's policy of title insurance is

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forwarded, it shall show title in the name of the Secretary and insure to the benefit of his/her successors in office.

2.Mortgagee policy of title insurance. A mortgagee's policy of title insurance supplemented by an Abstract and an Attorney's Certificate of Title covering the period subsequent to the date of the mortgage. The terms of the policy shall be such that the liability of the title company will continue in favor of the Secretary after title is conveyed to him/her (24 CFR 203.385(b)).

3.Abstract and legal opinion. An abstract of title prepared by an abstract company or individual engaged in the business of preparing abstracts of title and accompanied by the legal opinion as to the quality of such title signed by an attorney-at-law experienced in examination of titles. The Attorney's Certificate of Title, Form HUD-2319 (see Appendix 11) should be used for this purpose.

4.A Torrens or similar title certificate.

5.Title Standard of U.S. or State government. Evidence of title conforming to the standards of a supervising branch of the government of the United States or of any state or territory thereof.

D.Title Approval. The original title evidence must be sent to the local HUD office no later than 45 days after the date the deed was filed for record, together with a copy of Part A of Form HUD-27011, a copy of the mortgage instrument containing a complete legal description of the property and a copy of the recorded deed.

The field office will review the title evidence for approval or denial. If the title evidence has been approved, HUD will forward to the mortgagee a title approval letter which must *

be submitted to HUD Headquarters with Part B of Form HUD-27011 within 45 days after the date the deed was filed for record or received at HUD Headquarters with Part B of Form HUD-27011 within 15 days after the date of the approval letter, whichever is later.

If the title or title evidence is faulty or incomplete, it will be returned to the mortgagee for correction or completion. The title evidence will not be considered as having been submitted until it is returned with the required corrections. Fees or costs incurred as a result of a defect in the mortgage transaction or a defect in title are not reimbursable unless the mortgage was sold by the Secretary or executed in connection with the sale of the property by the Secretary (24 CFR 203.366(b)).

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If the corrections are not made within a reasonable time, the local office may reconvey the property to the mortgagee by quit-claim deed. If this occurs HUD will cancel the claim for insurance benefits and will require prompt reimbursement to HUD for the amount of the insurance settlement and any expenses incurred by HUD during the period of its ownership. These expenses will include but are not limited to HUD's expenditures for taxes, maintenance of the property and administrative expenses related to the preservation of the property. When the objection to the title has been corrected, the mortgagee may then resubmit the claim (See paragraph 1-14).

* For mortgages insured under a firm commitment issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992 if the title to a property conveyed to the Secretary is not good and marketable, the mortgagee will be required to correct the defect within 60 days after receiving notice from the Secretary or within such further time as the Secretary may approve in writing (24 CFR 203.366(b)). In this case, the mortgagee may retain the insurance benefits already paid, but it will not be reimbursed for any costs involved in correcting the title (CFR 203.402(f)).

1. If a title defect is not corrected within 60 days after receiving notice (or within an approved extension of time), the mortgagee will be required to reimburse the Secretary for holding costs and interest on the paid insurance benefits at a rate set in conformity with the Treasury Fiscal Requirements Manual from the date of the notice to the date the defect is corrected or to the date the Secretary reconveys the property.

2. If the defect is not corrected within a reasonable time, the Secretary will reconvey the property and the mortgagee will be required to reimburse the Secretary as provided in 24 CFR 203.363 and 24 CFR 203.364. The Department will determine on a case by case basis as to what will constitute "reasonable time" for purposes of correcting title defects.

3. The contract of mortgage insurance (Subpart B of 24 CFR Part 203) stipulates that the mortgagee, not HUD, must bear the cost of correcting title defects and property expenses pending correction, because HUD did not participate in obtaining or maintaining the mortgage lien nor in acquiring title to the property. (HUD accepts responsibility only where the Secretary had sold the mortgage or the property with the senior adverse interest that causes the title defect (24 CFR 203.390).)

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E. Amount of Title Insurance. When a title policy is submitted as evidence of good and marketable title, the amount of title insurance coverage must be equal to the unpaid principal balance of the mortgage.

Exception:

If the mortgagee uses the Claims Without Conveyance of Title procedure and has a copy of "Form HUD-91022, Mortgage Notice of Foreclosure Sale" available, the amount of title insurance coverage should be the amount of the Commissioner's Fair Market Value entered in line 5 of Part B, Form HUD-91022. (Note: Do not use the Adjusted Fair Market Value in line 7.) (See Appendix 12.)

2-7 DEEDS-IN-LIEU OF FORECLOSURE.

A. General. (24 CFR 203.357) When the mortgage is in default, the mortgagee should consider accepting a voluntary conveyance to avoid foreclosure and are encouraged by HUD to do so in all appropriate cases. HUD approval is required prior to accepting a deed in lieu when the mortgagor owns more than one property subject to FHA insurance or if the mortgagor is a corporation. Deeds must not be accepted from mortgagors when HUD has requested the mortgagee to pursue a deficiency judgment or where it is clear to the mortgagee that acceptance of a deed is simply a matter of convenience from a mortgagor clearly able to make the mortgage payments.

B. Form of Conveyance. The conveyance may be either (i) directly

from the mortgagor to HUD, or (ii) from the mortgagor to the mortgagee and then from the mortgagee to HUD. Under either method HUD must receive good and marketable title.

*

C. Compensation. (24 CFR 203.402(p)) The mortgagee may pay the mortgagor up to \$500 consideration for execution of the deed unless the property is conveyed occupied or the mortgage was co-insured under 24 CFR Part 204. The amount paid to the mortgagor may be included as an acquisition cost in Item 305.

*

2-8 DIRECT CONVEYANCE. (24 CFR 203.358)

A. When To Use Direct Conveyance. Where State law permits mortgagees should have the property deeded directly to HUD, without taking title in its own name first, in order to save time and avoid double payment of transfer taxes in states where:

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1. the property is vacant; or

2. the eviction process takes place simultaneously as a part of the foreclosure action; or

3. the eviction action can be processed before the deed is recorded and there is no delay; or

4. HUD has agreed to accept the property occupied pursuant to the occupied conveyance regulation (24 CFR 203.679).

B. When Not To Use Direct Conveyance. Direct conveyance should not be used when it will result in HUD having recorded title to properties that are occupied without its prior approval. This violates HUD regulations and causes serious problems. It becomes uncertain as to who (the lender or HUD) should be paying taxes, liens, assessments, utilities, etc.; local HUD offices are unable to fully market properties although the property has been officially deeded to HUD; lenders are routinely incurring expenses after the date the deed is filed for record; and HUD is unable to properly monitor mortgagee compliance with respect to conveyance of damaged properties. Mortgagees may not file their claim until such properties are vacant.

C. Claim Form Adjustments.

1. If the property is vacant at the time the direct conveyance deed is executed, one month may be added to the foreclosure (reasonable diligence) time frame.

*

2. If the property is occupied and an eviction action is

necessary to obtain possession, if the eviction action was initiated in a timely manner, the time frame will be extended until possession is obtained and an additional month may be added to the foreclosure (reasonable diligence) time frame. The cause for the delay must be explained in the Mortgagee's Comment section of Part A.

*

2-9 OCCUPANCY AND POSSESSION OF PROPERTY.

A. Occupancy. The property may not be occupied at the time of conveyance unless HUD agrees to accept it occupied as provided in 24 CFR 203.670 through 203.681. Under these regulations the mortgagee is required to notify the mortgagor of the potential acquisition by HUD. The mortgagee must provide such notice (with a copy to HUD) at least 60 days but not more than 90

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days before the date on which it reasonably expects to acquire title to the property. See HUD Handbook 4330.1.

The mortgagee shall be allowed to convey the property occupied if HUD agreed to accept the property occupied or if HUD notified the mortgagee that it was considering a request for continued occupancy and no subsequent notification from HUD has been received within 90 days after the mortgagee's notice referred to in subparagraph A above (24 CFR 203.670(c)).

B. Possession. HUD considers the property to be in the possession of the mortgagee (for insurance claim purposes) when the property was first discovered to be vacant by the mortgagee or its agent, or would have been discovered if the mortgagee was making regularly scheduled inspections. The date of possession is not dependent on securing the property, changing the locks, etc.

C. Keys. Keys for the property must be forwarded to the local HUD office as soon as they are obtained, preferably at the time a copy of Part A is submitted. Include the FHA case number and property address with each set of keys. Do not send keys to HUD Headquarters, and do not delay submission of the copy of Part A to the HUD local office.

2-10 CONDITION OF PROPERTY AT CONVEYANCE.

A. Repairs by Mortgagee. (24 CFR 203.379 and 203.380)

1. Before conveying the property to HUD, the mortgagee must repair at its own cost:

a. any damage caused by fire, flood, earthquake, tornado,

hurricane, (or boiler explosion (24 CFR 234.270(a)) in the case of condominium); and,

* b. any damage caused by the mortgagee's failure to take reasonable action to inspect, protect and preserve a vacant or abandoned property if the mortgage was insured on or after January 1, 1977. "Reasonable action includes the commencement of foreclosure of a defaulted mortgage on vacant or abandoned property within the time required by paragraph 2-2A.

*

*

2. After repairs have been completed and the mortgagee is satisfied that they are adequate, the mortgagee may (at its option) ask for assurance that the repairs are acceptable to HUD so that a later claim for mortgage

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insurance benefits will not be surcharged because of the damage. The following procedure applies to such requests:

a. Contact the Loan Management Branch of the local HUD Field Office having jurisdiction over the property when the repairs have been completed to the mortgagee's satisfaction. That office will arrange for assignment of a member of the Fee Inspection Panel and the mortgagee will be notified of the assignment.

b. The mortgagee assumes full responsibility for payment of the inspection fee, which may not be passed on to the mortgagor or included in a later claim for insurance benefits.

c. Send the inspection's completed report on Form HUD-92051, (Appendix 27) to the HUD Field Office having jurisdiction over the property, where it is counter-signed before the original is returned to the mortgagee. The inspection report of the fee inspector should attest that he is a duly qualified member of the Field Office Panel.

d. Retain a copy of the signed report in the mortgagee's files.

NOTE: If the report documents that the repairs are satisfactory, it represents HUD's assurance that the claim will not be surcharged for the damage.

*

3. The mortgagee is not required to repair damage resulting from causes other than those itemized above unless the repairs are requested in writing by HUD, or the repairs are necessary to protect and preserve the property until its conveyance to HUD and the local HUD office has approved any expenditures over and above the jurisdictional limit for preservation and protection.

4. If repairs for which the mortgagee is not responsible are made at HUD's request, or if the repairs are necessary to protect and preserve the property until conveyance to HUD, the cost should be entered on Part C (Disbursements for Protection and Preservation) in accordance with HUD regional protection and preservation costs limits.

5. HUD will not reimburse the mortgagee for repairs to or maintenance of property occupied by the mortgagor.

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B. Unrepaired Conveyance. (24 CFR 203.379(a))

1. If the prior approval of HUD is obtained, property damaged by the causes itemized in paragraph A-1 may be conveyed in an unrepaired condition and there will be deducted from the insurance benefits, HUD's estimate of the cost to repair the damage or any insurance recovery received by the mortgagee, whichever is greater. The deduction will be limited to the amount of insurance recovery if the property has been damaged by fire and the mortgagee certifies that the conditions of 24 CFR 203.379 (a)(2) relating to cancellation or reduction of insurance coverage are met. The mortgagee should request from the local HUD office their estimate of the cost of repairing the damage, and permission to convey the property without repairs. HUD's estimate must be entered in Item 27, Part A. Item 24 must be marked "yes".

2. If the property is conveyed damaged by causes other than those itemized in paragraph A-1, Item 24 must be marked "No" and the mortgagee must:

a. identify such damage in the Mortgagee's Comment Section of Form HUD-27011, Part A;

b. provide to the local HUD office copies of all documentation necessary to verify that the mortgagee met its requirement to take reasonable action to inspect, protect and preserve the property. All documents must identify the specific property by FHA case number. All documentation must also be maintained in the audit file; and

c.in the event a property is conveyed damaged, but is not identified as such on the claim form, HUD will not make any further reimbursement until the local HUD office has made an evaluation of the mortgagee's responsibility.

* C. Unrepaired Conveyance Without Notice.

HUD is deferring implementation of the notification requirement identified in the new paragraph 24 CFR 203.379(b) and (c).

The new requirement would only affect those mortgages insured under a Firm Commitment issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992.

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HUD will issue implementing procedures for the new requirement of 24 CFR 203.379(b) and (c) in the future. Until that time, mortgagees shall continue to follow the requirements of Chapter 2-10B with regard to Unrepaired Conveyance.

*

* D. Certificate of Property Condition. (24 CFR 203.380)

1.The mortgagee shall either:

(a)Certify that as of the date of the filing of the deed for record, or assignment of the mortgage to HUD, the property was:

(1) Undamaged by fire, flood, earthquake, hurricane, or tornado; and

(2) As to mortgages insured or for which commitments to insure were issued on or after January 2, 1977, undamaged due to failure of the mortgagee to take action as required by 24 CFR 203.377, and

(3) As to mortgages insured under firm commitments issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992, undamaged while the property was in the possession of the mortgagee; or

(b)Attach to its claim a copy of HUD's authorization to convey

the property in a damaged condition.

2. In the absence of evidence to the contrary the mortgagee's certificate or description of the damage shall be accepted by HUD as establishing the condition of the property as of the date of the filing of the deed or assignment of the mortgage.

*

NOTE: The certification is accomplished through the accurate completion of Form HUD-27011.

2-11 PROTECTION AND PRESERVATION OF PROPERTIES.

A vacant property must be protected and preserved while it is in the possession of the mortgagee so that it will not be damaged at the time of conveyance. A prudent mortgagee will protect and preserve a vacant property to avoid potential damage to the property and surcharges to its claim. HUD will reimburse the mortgagee for required

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preservation and protection costs within regionally or locally established limits when these expenditures are adequately documented. Protection and preservation work should not delay conveyance. The mortgagee should also determine whether the property is vacant and whether protective action is necessary. HUD will reimburse the mortgagee for appropriate periodic inspections for this purpose.

A. Mortgagee Responsibility. For mortgages insured on or after January 1, 1977, mortgagees will be held responsible for any * damage to a vacant mortgaged property resulting from the mortgagee's failure to take reasonable protection and preservation action. "Reasonable action" includes the commencement of foreclosure within 120 days after the mortgagee discovers or should have discovered that the property was vacant or abandoned (see paragraph 2-2A).

For mortgages insured under a firm commitment issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992 the mortgagee will not be reimbursed for the costs of protecting, operating or preserving the property or removing debris from the property after the time the property should have been conveyed to HUD (24 CFR 203.402(g)) (see paragraph 2-2 D).

*

Failure to inspect, protect and preserve the property will be considered mortgagee neglect. If the property is damaged because of mortgagee neglect, the mortgagee must repair the damage at its own cost or obtain permission from HUD to convey the property

damaged.

If permission is given to convey a property in a damaged condition, the greater of any insurance recovery or HUD's estimate of the cost of repairs shall be deducted from the mortgage insurance benefits. Where the claim is to be adjusted for damages, Item 24 of Part A, Form HUD-27011, should be marked "Yes" and Items 25, 26 and 27 must be completed (24 CFR 203.379(a)(1)).

Mortgagees must provide the local HUD offices any documentation, including copies of all inspection reports, which they feel will verify that appropriate action was taken to preserve and protect the mortgaged property from the time of vacancy to conveyance.

This documentation must accompany the copy of Part A, Form HUD-27011, which is sent to the local HUD office. Ensure that all such documentation includes the FHA case number, is securely fastened to the claim form, and is legible. Without adequate documentation to support the mortgagee's position, local HUD offices shall deem such damage as being due to the mortgagee's failure to take appropriate action to preserve and protect the mortgaged property.

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HUD reserves the right to deduct from the mortgage insurance claim the greater of the hazard insurance benefits or HUD's estimate to repair the property.

B. Inspections. (24 CFR 203.377)

1. Inspections are identified as initial, occupancy and vacant.

a. Initial. When the mortgage is in default and a payment is not received within 45 days of the due date and efforts to reach the mortgagor or occupant have been unsuccessful, the mortgagee must inspect the mortgaged property to determine if it has become vacant or abandoned. The initial inspection must be made within 60 days of the due date.

b. Occupancy. If the mortgage remains in default and the inspector cannot verify that the property is vacant, the mortgagee must perform at least one follow-up to determine whether the property remains occupied. This follow-up must be documented whether it was by letter, telephone or means other than on-site inspection. When the mortgagee is unable to determine the occupancy status by telephone or correspondence, an inspection and adequate follow-up must be made within 30 days of the last inspection or follow-up.

This inspection serves three purposes: first, it promptly apprises the mortgagee when it has acquired possession because the property is vacant; second, it apprises the mortgagee when it is time to take reasonable protection and preservation action; and third, it permits more timely foreclosure of an abandoned property.

During bankruptcy actions and assignment processing, mortgagees should be able to verify the status of the property without performing an on-site inspection. (Occupancy information during bankruptcy can usually be obtained by contacting either the bankruptcy trustee or the filing attorney.) Reimbursement in a mortgage insurance claim normally will not be made for occupancy inspections if the mortgagor has filed bankruptcy until the bankruptcy is released, discharged or the property is formally abandoned by the bankruptcy trustee.

Mortgagees may communicate with the HUD office and/or counseling agency to determine the mortgagor's status while a

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case is being processed for assignment. For this reason there should be few cases where an occupancy inspection is warranted and reimbursable during assignment processing.

c. Vacant. When the mortgage is in default and the mortgagee has established that the mortgaged property is vacant, mortgagees shall inspect the mortgaged property every 25 to 35 days.

Generally, reimbursement will be limited to one inspection for each thirty day cycle. This inspection should not be earlier than 25 days after the last inspection or later than 35 days after the last inspection. Only where a local HUD office has identified a need to inspect more frequently, and has made this a requirement, will reimbursement be allowed for those additional inspections.

2. For all inspections, mortgagees shall document the general condition of the property as well as any actions which would be required to adequately protect and preserve the property. Many of the inspection forms currently used by the industry meet or exceed HUD requirements. The purchase or use of a specific form will not be required.

However, at a minimum, the following Items must be documented on each inspection report. Of course, where the property is occupied, some of the Items listed would be identified as not applicable (n/a).

- a. Date of the inspection.
- b. Identity of the inspector.
- c. Is the property occupied?
- d. Is the house locked or secured?
- e. Is the grass mowed and/or shrubs trimmed?
- f. Is there any apparent damage?
- g. Is any exterior glass broken?
- h. Are there any apparent roof leaks?
- i. Does the house contain personal property and/or debris?

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- j. Are any doors or windows boarded?
- k. Is the house winterized?
- l. Are there any repairs necessary to adequately preserve and protect the property?
- m. Are appliances present and operable?

For purposes of reimbursement, proper documentation must be maintained by the mortgagee on the performance of inspections and follow-up activities. HUD defines proper documentation as evidence of payment and copies of all completed inspection forms with any accompanying follow-up documentation for occupancy inspections. This documentation shall be available for verification and shall be maintained in each claim file.

C. Debris Removal.

1. Debris and personal property must be removed before the property is conveyed to HUD unless otherwise directed by the local HUD office, but this should not delay conveyance. The regulations require conveyance within 30 days after acquisition of possession. This should be ample time to

remove debris and personal property. Any debris removed per local code is also subject to the established limits on debris removal. Costs for removal of debris and personal property are considered protection and preservation expenses, unless removal of the personal property is required by the sheriff as a part of the eviction proceedings. Cost of Debris removal is considered a protection and preservation cost with the following exceptions:

a.if the debris is removed by local law enforcement or crews under the control of local law enforcement where the mortgagee has no control over the removal, the cost of removal is considered an eviction cost;

* Costs may be claimed within the parameter of the Regional Protection and Preservation guidelines (i.e. amount per cubic yard, etc.) but hours of labor should not be claimed in addition to allowable debris cost limits, as labor is included in determining these amounts.*

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b.if the items removed can not be distinguished from personal property and taken to storage, the cost of removal are considered an eviction cost; and

c.if the items are required by the sheriff to be placed on or near the street during the eviction, with no distinction between debris and personal property, the cost of removal is considered an eviction cost.

If personal property is removed as a part of normal eviction proceedings, enter the cost in Item 305 of Part D.

2.Broom sweeping is considered a part of interior debris removal and should not be listed as a separate cost.

3.Dump fees should not be listed as a separate cost. Regional guidelines for costs per cubic yard or per ton will include dump fees.

4.Exterior cleaning, which may include debris, normally has to be conducted only once. Inspections will determine if re-cleaning is necessary. Permission is necessary to exceed the published limit.

5.Appliances which appear to be in operable condition should not be removed from the property. The presence and condition of the appliance should be documented in the

inspection report.

6. If the debris includes hazardous waste, local health and environmental agencies should be consulted regarding proper disposition.

7. If it is necessary to exceed the published cost limits for debris removal the mortgagee must submit bids obtained pursuant to Regional instructions and request field office approval. The request should indicate the purpose of the bid, the type of debris to be removed and the amount of protection and preservation expenditures made to date. The bidder's name, address and telephone number must appear on the bid.

Mortgagees will not be reimbursed for the cost of obtaining bids. HUD Field Offices will provide, on request, a list of vendors who will provide free estimates. The mortgagee's field service company may obtain bids and may be a bidder.

Regional guidelines will instruct mortgagees to obtain one bid or two bids. If two bids are required they must be independent competitive bids and must be

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submitted to HUD separately. The local HUD Office may also obtain one or more bids from its vendor list.

The local HUD Office will take one of the following actions after receiving the bids:

a. Notify the mortgagee to accept one of the bids submitted.

b. Notify the mortgagee of the name and bid amount of a bid the local HUD Office received.

In this event the mortgagee may:

(1) Contract directly with HUD's bid source at the stated bid amount, or

(2) Contract with its source at the amount stated by HUD's bid source.

c. Notify the mortgagee to convey the property without removing the debris.

D. Cost Limits.

1. Limits on the amount HUD will reimburse mortgagees for specific items which are considered as protection and preservation (P&P) actions will be published by HUD regional offices. To the extent feasible, these limits will be established on a regional basis but some local variations may be necessary. However, local office variations are published in the Regional P&P Schedule. Appendix 13 provides a listing of HUD's ten regional offices. Any Regional P&P Schedule which have not been received should be immediately requested directly from the respective office.

2. Generally, mortgagees may expend up to the maximum amount specified in the applicable Regional P&P Schedule for protection and preservation work for a one unit single family property without HUD's prior approval, provided individual expense limits have not been exceeded. The costs of required inspections and authorized boarding will not be included in the maximum amount.

3. Expenses above the allowable published cost limits or the total maximum property amount per property must have prior written approval of the

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local HUD office where the property is located. Appendix 14 provides a sample format which may be used in requesting approval to exceed a cost limit. All requests must contain justification to support them. If the total cost entered in Item 110 exceeds the maximum amount specified in the Regional P&P Schedule a copy of Part C (and a copy of the local HUD office approval to exceed limits, if applicable) must be attached to the Part B submitted to HUD Headquarters.

4. In order to control costs, mortgagees are encouraged to seek competitive bids for the required work. Requests to exceed regional debris removal limits must be supported by cost estimates.

If a written response has not been received from the local HUD office within 10 days, mortgagees must follow up until a written response is received. In emergency situations, mortgagees may fax their requests to the local HUD office and confirm receipt of these requests verbally. The local HUD offices will respond to your emergency requests via facsimile, if requested. Mortgagees are responsible to confirm receipt and legibility of all requests sent via facsimile.

Failure to receive a response from the local office does not

constitute an extension of time or approval of the request (see paragraph 1-6).

A copy of the local HUD office approval and a copy of Part C must be attached to the Part B submitted to HUD Headquarters:

a. For all cases where the total for Item 110, Schedule B, exceeds the Regional maximum property amount.

b. For all cases where the local HUD office issued an approval to exceed a published cost limit (individual or maximum property amount).

Copies of both the mortgagee's request and HUD's response must be retained in the Claim File.

5. Although a claim payment may include reimbursement for more than the Regional cost limit for property protection and preservation expenses, the Department will require reimbursement for any amounts not supported by appropriate documentation. It is not necessary to submit receipts for disbursements with the initial submission of Form HUD-27011. However, receipts must be available upon request from the Department and these receipts from vendors must itemize the service provided in

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sufficient detail to allow a review for compliance with the limits published by the HUD regional office. Charges must be made and itemized in accordance with the standards of measurement as set forth in the regional limits.

6. The purpose of protection and preservation action is to protect the property from vandalism and the elements until it is conveyed to HUD. Expenditures made after conveyance, (unless the work was performed before conveyance) or for repairs which do not protect and preserve the property before conveyance are not reimbursable unless requested by the local HUD office in writing. The amount of such reimbursement must also be approved by the local HUD office.

*

7. For mortgages insured under a firm commitment issued on or after November 19, 1992 or under Direct Endorsement processing when the credit worksheet was signed by the mortgagees approved underwriter on or after November 19, 1992, the mortgagee will not be reimbursed for the cost of protecting, operating, preserving or inspecting the property or removing debris from the property incurred after the deadline to convey the property (24 CFR 203.359). See paragraph 2-2D for more detail on conveyance requirements

(24 CFR 203.402(g)).

*

E. Other Protection and Preservation Actions.

1. Boarding. Mortgagees shall not board up vacant properties unless prior approval of the local HUD office is obtained. This approval may be provided on a case by case basis, or prior approval may be provided in the regional guidelines (i.e., city, county, zip code, street, block, etc.). The Regional Protection and Preservation Schedules provide policy on this matter.

Although boarding will be restricted and approved on only a case by case basis, mortgagees shall continue to secure all windows and doors in accordance with regional guidelines.

Properties which suffer severe fire damage must be secured for safety reasons and to prevent unauthorized entry. This requires that all lower floor windows and doors will be secured according to the specifications identified in the appropriate regional P&P guidelines.

The additional costs of securing a severely fire damaged property are not included in the Regional cost limitation for customary protection and

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preservation expenses. However, mortgagees must request prior written approval from the local HUD office if the costs of the securing will exceed \$450. Local HUD offices have been advised to respond to all requests promptly.

2. Winterizing. Specific regional guidelines provide policy on winterization. If regional guidelines do not state a range of months during which winterizing must be completed, then the intent is that winterizing should be done all year.

3. Photographs. Any additional photographs beyond the allowable photo expenditures in the regional guidelines are the responsibility of the mortgagee (and are not reimbursable), unless specifically allowed (in writing) by a local HUD office on a case by case basis.

4. Grass Cutting/Snow Removal. A mortgagee is required to include grass cutting and/or snow removal in the maximum limit. As the mortgagee approaches the ceiling, an estimate of the total grass cutting and/or snow removal should be made and a one time request to exceed the maximum limit if needed. This will significantly reduce the number of

approvals needed.

5.Signs. A sign no larger than 8 1/2 by 11 inches should be attached to the inside of a window or front door, providing information (including a telephone number) as to who to contact for emergency or other purpose.

6.Request to Exceed Limits/Time Frames. Requests to exceed cost limits are considered separately from requests to exceed time frames. A mortgagee who fails to meet a time frame should expect an interest curtailment unless an extension has been requested and granted on Form HUD-50012. Failure to receive a response from a local HUD office to exceed cost limits does not constitute either an extension to convey title and file Part A, or an extension to submit title evidence and submit fiscal data, Part B. A separate request for each extension of time must be submitted by the mortgagee. All requests for extensions and all responses must be in writing (see paragraph 1-6 and Appendix 13).

*

2-12 EVICTION COSTS - 24 CFR 203.402 q. provides for the reimbursement of reasonable costs incurred in evicting occupants and in removing personal property from the properties. It is the mortgagees responsibility to adequately document and support all evictions costs claimed for reimbursement. The following guidelines for eviction costs must be followed in order to establish such costs as reasonable and customary for the purposes of reimbursement on FHA insurance claims.

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A.Photographs. If debris is removed as part of the eviction, before and after photographs as required by the Regional Preservation and Protection Guidelines must be maintained in the claim review file. Debris removal is generally not an eviction expense, and will be disallowed as such, unless it can be clearly demonstrated that one of the conditions of Paragraph 2-11 C 1 a, b or c are met.

B.Eviction Crews. Costs of eviction crews actually necessary to accomplish the eviction will be reimbursable provided that those costs are customary and reasonable for the area. If a Sheriff or local law or statute requires a certain number of persons to be present, documentation to verify that requirement must be maintained in the claim review file.

C.Eviction on Unoccupied Property. Evictions should not normally occur on unoccupied properties. However, certain local conditions may require that evictions be performed on unoccupied properties. If possessory action is initiated on an unoccupied property, the mortgagee must sufficiently document in the claim file the reasons why such action is necessary to be eligible for

reimbursement of the cost relating to such action.

*

2-13 HAZARD INSURANCE.

A. Hazard Insurance Premiums. HUD will reimburse the mortgagee for hazard insurance sufficient to protect the mortgagee's interest up until the date the deed to the Secretary is filed for record (24 CFR 203.402(c)). The reimbursement may not exceed the reasonable rate for the area. A reasonable rate is a rate not in excess of the rate or advisory rate set by the principal State-licensed rating organization for essential property insurance in the voluntary market or the FAIR Plan rate if such coverage is available (24 CFR 203.379(a)). HUD may establish from time to time acceptable reimbursement rates.

All hazard insurance policies on the mortgaged property must be canceled as of the date the deed to the Secretary was filed for record (24 CFR 203.382). Do not delay submission of Form HUD-27011, Part B, pending receipt of premium refunds resulting from the cancellations. Part B must be prepared within the required time limits. If the amount of the actual premium refund is not known at the time the Part B is prepared, calculate an estimate on the "short rate" basis.

To calculate the refund using the "short rate" method, determine the number of days the policy was in effect. This is the period from the effective date of the policy to the earlier of the cancellation date or the date the deed to the Secretary was filed for record. The Julian Date Calendar in Appendix 9 may assist in this determination. The Short Rate Table in Appendix 15 is then used to determine the percentage of the premium utilized. This figure is subtracted from 100 to

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determine the percentage of premium remaining. The total premium is multiplied by the remaining percentage of premium to determine the estimated amount of the premium refund.

Example: A \$250 insurance policy is effective from 8/10/92 through 8/10/93. The property is conveyed to the Secretary on 9/15/92. The policy was in force for 36 days (from 8/10/92 to 9/15/92). The Short Rate Table shows that 20% of the premium was utilized, therefore 80% of the premium is remaining.

$\$250 \times 80\% = \200 is the estimated hazard insurance refund

Include the estimated refund amount in Item 109, Part B. If the actual premium return differs, you may be entitled to either a refund or be required to remit the difference to HUD. File a supplemental form (see Chapter 7) to claim a refund or remit the difference (\$10 or less should be ignored). Any claimed

difference between the calculated estimate and actual return premium must be supported by the insurance carrier's statement of the return premium. A copy of this statement should be retained by the mortgagee in the claim file.

Under the following circumstances, the mortgagee may submit (i) a Part B claim without including an estimated HIP refund; or (ii) a supplemental claim for reimbursement, if a HIP refund was estimated but no refund was received:

1. the mortgagee can demonstrate that the insurer remitted the refund to the mortgagor, or

2. the mortgagee can demonstrate that the insurer has a policy of not remitting refunds to the mortgagee in that jurisdiction.

If the hazard insurance premium is estimated and a refund is due, file a supplemental claim. If an additional remittance is due HUD, file a supplemental remittance (see Chapter 7 of these instructions).

*

B. Hazard Insurance Recovery. (24 CFR 203.379) Mortgagees are expected to seek hazard insurance proceeds for all situations where the property has sustained casualty, theft or vandalism damage, not just for damages sustained in fire, flood, earthquake, tornado, hurricane, boiler explosion or where the mortgagee failed to take proper action to preserve and protect the property (mortgagee neglect). However, the application of insurance proceeds on Form HUD-27011 will differ for those cases where the damage was not fire, flood, earthquake, boiler explosion, tornado or mortgagee neglect.

1. If the property is damaged by fire, flood, earthquake, tornado, hurricane, boiler explosion (condominium units only) or mortgagee neglect, the property may be conveyed damaged only with prior HUD approval (24 CFR 203.379(a)(1)). If such a property is conveyed with HUD approval, the greater of the hazard insurance recovery or HUD's estimate of damage will be entered in Part A, item 27 and will be deducted from the insurance benefits (24 CFR 203.379). If Part A is submitted before the insurance proceeds are received, the mortgagee may have to estimate the recovery. When the proceeds are received, they may be less than the amount estimated. In this event, the mortgagee is entitled to reimbursement of the difference between the amount of proceeds expected and the proceeds received if both are greater than HUD's estimate of damage (24 CFR 203.382(b) and (c)). The adjustment is made on line 119 of Part B. The

mortgagee is not entitled to a reimbursement which would reduce the deduction in insurance benefits to less than HUD's estimate of damages.

2. Where the damage was other than fire, flood, earthquake, tornado, hurricane, boiler explosion or mortgagee neglect, the amount of the hazard insurance recovery must be shown on Part B, line 118. Do not report these funds received on Part A, item 27, as it will cause your claim to suspend and delay your payment.

*

2-14 DEMOLITION NOTICES.

Mortgagees must advise the local HUD office having jurisdiction when a demolition notice is received. In some cases, the property could be salvaged with limited repairs. Usually, these repairs would be too extensive to be considered as "protection and preservation costs" which HUD has authority to reimburse the mortgagee.

A copy of the demolition notice must be sent immediately to the local HUD office to the attention of the Chief Property Officer (CPO). The condition of the property will be evaluated and the mortgagee will be notified whether to allow the demolition or request it to be delayed. The mortgagee will be reimbursed for the cost of compliance with local HUD office instructions. If an extension to meet any time requirement is needed, a request should be submitted pursuant to paragraph 1-6.

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2-15 FORECLOSURE AND ACQUISITION COSTS. (24 CFR 203.402(f))

HUD regulations authorize the reimbursement to mortgagees of two-thirds of the foreclosure costs or costs of acquiring a property by other means (including costs of conveying and evidencing title to the Secretary). Such costs must be actually paid by the mortgagee and must be approved by HUD.

A. Allowable Costs. A complete listing of allowable or unallowable costs would not be practical because procedural requirements and terminology vary in different jurisdictions. Generally, HUD will reimburse a mortgagee for:

1. Fees which must be paid to public officials such as sheriffs, clerks of court, recorders of deeds or public trustees.

2. Costs which are required by law, such as private service of process, required publication, or certified copies of documents.

3. Fees and costs which are necessarily incurred and are

reasonable and customary in the area such as attorney fees, title search, title policy, auctioneer's fee, trustee fees and required costs related to eviction.

B.Costs Not Reimbursable. HUD will not reimburse a mortgagee for:

1.Fees and costs which exceed reasonable and customary fees for the area. If a fee exceeds the customary fee for the area, for adequate reason, such as a contested foreclosure or eviction, the excess may be claimed and appropriate documentation to support the amount claimed must be retained in the claim file (see paragraph 1-10).

2.Costs which are not necessarily incurred or are required because of dilatory service, such as courier service or express mail or property inspection by attorneys.

3.Costs which are overhead items such as postage, telephone, duplicating, or collection services. The attorney's or trustee's overhead costs should be included in their fee.

4.Extra costs incurred in the foreclosure as a result of a defect in the mortgage transaction or the mortgage foreclosure or a defect in title which existed at or prior to the time the mortgage was filed for record. These costs are reimbursable only if the mortgage was sold by the Secretary or was executed in connection with the sale of the property by the Secretary after August 1, 1969 (24 CFR 203.402(f)).

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C.Full and two-third Reimbursement.

1.Full Reimbursement.

a.Costs of eviction or other possessory actions are not considered foreclosure costs and are reimbursable in full within reasonable and customary limits.

b.Costs of eviction crews, furniture storage or relocation expenses are reimbursable only if required under state or local law.

2.Two-Third Reimbursement.

Fees and costs related to foreclosure, conveyance and title evidence are limited to two-thirds reimbursement. HUD will calculate the two-thirds allowance based on the amounts entered on the claim form.

Item 306 -Attorney fee for foreclosure.

Item 307 -All foreclosure, conveyance and title evidence costs other than fees, guardianship and intestacy proceedings (including related attorney fees); Torrens title acquisition costs, and bankruptcy costs other than attorney fees.

Item 310 -Attorney fees related to bankruptcy.

2-16 TAX BILLS. (24 CFR 203.402(a) and (b))

The mortgagee must secure from the taxing authorities all available tax bills prior to conveyance of the property to HUD. Such bills, regardless of due date, must be paid by the mortgagee prior to conveying a property to HUD. In effect, no tax bills available from the taxing authorities should remain unpaid as of the date the deed is filed for record whether the taxes are payable before or after conveyance.

Do not pay tax bills received after the date the deed is filed for record. Send these tax bills to the local HUD office, identified by the FHA case number and the taxing authority identification number.

As indicated in paragraph 2-6, the recorded deed should contain the address of the local HUD office "ATTN: Single Family Property Disposition Branch" to assure that the taxing authority sends tax bills to the appropriate office for payment.

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Do not delay submitting an application while awaiting a copy of the tax receipt to attach to the local office copy of the claim form. A copy of the tax bill, the disbursement document or other type of information which identifies the tax and indicates that it was paid or sent for payment is acceptable.

The mortgagee will not be reimbursed for interest or penalties for late payment of taxes or assessments.

2-17 BANKRUPTCY OF THE MORTGAGOR. (24 CFR 203.355)

The filing of a bankruptcy petition by the mortgagor may prevent or suspend the foreclosure action so that the action may not be initiated or completed within the specified time requirement.

A. Delay of Foreclosure Initiation.

1. If the filing of a bankruptcy petition prevents the initiation of foreclosure within the nine months time requirement, the time limit is extended to 60 days after the

release of the bankruptcy stay. The extension will avoid the curtailment of debenture interest. In order to extend the time limit the date of filing the bankruptcy petition must be entered in Item 40, the date of release of the bankruptcy stay must be entered in Item 21 and a date 60 days after the date of release must be entered in Item 19.

* The extension of time begins when the court releases the bankruptcy stay or otherwise makes it possible to foreclose, not when the mortgagee learns of the court's action. Mortgagees and their agents should monitor and follow-up on court proceedings where bankruptcies are delaying the initiation of foreclosure so required actions can be taken within the permitted time frame.*

If the time limit expired before the bankruptcy petition was filed, or if foreclosure was not initiated within 60 days after the release of the bankruptcy stay, debenture interest will be curtailed as of the date the action should have been taken. Under these circumstances an extension date of sixty days should not be entered in Item 19.

* 2. A 60-day extension may not be adequate if the mortgagee must send the letters under the assignment program or send notices required by State law after the mortgage is released from bankruptcy stay.

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Mortgagees are authorized an additional extension of time for foreclosure initiation without prior HUD approval to permit compliance with HUD's assignment and State law requirements.

a. HUD Requirements to Send Assignment Letters. If the mortgagee is required by HUD Handbook 4330.1, REV-3, Paragraph 8-7A.1.a to send the HUD assignment letters after the bankruptcy stay has been released, the mortgagee is authorized a 90-day extension of time to initiate foreclosure (60-day extension as discussed in the first paragraph plus an additional 30 days) in order to allow sufficient time for dispatch and response to the assignment letters. The mortgagee must be very prompt in sending the assignment letters so that there will be sufficient time remaining to initiate foreclosure if appropriate.

b. State Law Requirement to Send a Demand Letter or Similar Notice. If State law requires that a demand letter or similar notice be sent after bankruptcy stay has been released and before foreclosure is instituted,

the mortgagee is authorized an additional extension of the minimum length of time for the notice (for example, if State law requires that a demand letter be sent not less than 30 but not more than 90 days before publication of sale, the additional extension will be 30 days).

c. In some states the filing of a bankruptcy petition voids or nullifies the foreclosure action and foreclosure must be reinitiated. If this occurs the date of the reinitiated action, not the date of the nullified action, will be considered the date of foreclosure initiation. The foreclosure action must be reinitiated within sixty days after the release of the bankruptcy stay or within nine months of default.

d. Application for Insurance Benefits. In applying for mortgage insurance benefits where an additional 30-day extension is authorized, the mortgagee should enter in Item 19 of Form HUD-27011 an expiration date which includes both the 60-day bankruptcy extension and the additional extension. The reason for the additional 30-day extension must be given in the Mortgagee comment section of Part A, Form HUD-27011.

e. Bankruptcy Stay Requirement. The mortgagee is authorized an extension for compliance with an assignment or State law requirement in addition to a 60-day bankruptcy extension only if

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foreclosure could not be initiated within nine months of default because of the bankruptcy action. NOTE: If processing of an assignment request prevents the mortgagee from initiating foreclosure within the nine months time frame, the local HUD Offices will continue to grant a 60-day extension on assignment rejections.

f. Claim Review File. Mortgagees must fully document the claim file to support the use of the additional 30-day extension. This documentation may consist of dated copies of the court's release from the bankruptcy stay; dated copies of each HUD assignment letter sent before and after their bankruptcy; and dated copies of any demand letters or notices sent together with a reference to the applicable State law. These documents will be examined as part of HUD's claim review to determine their accuracy and the appropriateness of the additional extension.

*

B.Delay of Foreclosure Completion. If the filing of one or more bankruptcy petitions after initiation prevented completion of foreclosure within the specified time frame a brief note of the cause of delay should be entered in the Mortgagee's Comment section of Part A and supporting documentation must be placed in the claim file (See paragraph 2-2).

C.Fees and Costs. After a decision has been made to foreclose, and the mortgage has been referred for foreclosure, certain fees and costs related to bankruptcy of the mortgagor may be considered costs of property acquisition. Therefore, HUD will reimburse the mortgagee two-thirds of such costs (subject to the reasonable and customary limits for the jurisdiction). If there are multiple bankruptcies, the fees and costs for each filing will be included.

2-18 FUNDS HELD BY MORTGAGEE.

A.General. Funds held by the mortgagee are deducted from the insurance benefits, therefore, they should not be sent to HUD. Such funds shall be reported by making the following entries:

oUnapplied Section 235 Assistance Payments - Item 123, Part B, Column A.

oFunds Held Pursuant to a Buydown Agreement - Item 109, Part B, Column A.

oRental Income - Item 115, Part B, Column A.

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oHazard Insurance Recovery - Item 118, Part B, Column A, if not reported on Part A.

oHazard Insurance Recovery - Item 27, Part A, and Item 119, Part B, column A if the entry in Part A is an estimate.

oAll other funds - Identify the nature and the amount of the funds and enter in Item 109, Part B, Column A.

B.Escrow Funds. Any funds remaining in the escrow account on the date the deed is filed for record must be entered in Item 109, Part B. If there are funds in the escrow account, there should be no entries for escrow advances in Items 305 or 311.

If the escrow account is depleted, escrow expenditures must be entered as advances in Items 305 or 311, as appropriate. They should not be charged to Item 109 so as to create a negative escrow balance.

2-19 RENTAL OF PROPERTIES.

If there is a lengthy redemption period and the mortgagee has possession of the property during that period, the best protection against damage to the property may be to keep it occupied by tenants. HUD will not reimburse the mortgagee, however, for costs incurred solely in renting the property. These costs must be recovered from rental income. Although rental expenses and rental income will be shown separately on the claim form, rental expenses are allowable only as an offset to rental income. If rental produces a net profit, that profit will serve to reduce the amount of the claim.

2-20 SPECIAL FORBEARANCE.

If a claim for insurance benefits is filed pursuant to a default under a special forbearance agreement entered into between the mortgagee and the mortgagor, the payment will include unpaid mortgage interest. (24 CFR 203.410(a)(3)) The forbearance agreement must be signed by both the mortgagor and the mortgagee, and must meet the conditions of 24 CFR 203.614. A copy of the executed forbearance agreement must be forwarded to HUD Headquarters with Part B of the Form HUD-27011. A copy must also be retained in the claim review file maintained by the mortgagee.

*Any request for mortgage note interest on a claim for insurance benefits which is not fully supported, will not be honored. The "Special Forbearance Checklist" (Appendix 26) was developed as a tool to help mortgagees establish if the case meets the

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minimum requirements for special forbearance. A signed copy of the checklist must be submitted with the claim and a signed copy must be maintained with the claim review file.

*

A. Eligibility for Mortgage Interest. The mortgagor must have failed to meet the requirements of the agreement for 60 days.

B. Period for Which Mortgage Interest is Paid. Mortgage interest is paid for the period beginning on the due date of the last completely paid installment. To determine this date the total amount of funds received under the agreement are applied according to the terms of the original mortgage, to escrow, principal and interest. If sufficient funds were received to total more than one payment, advance the due date of the last completely paid installment and reduce the unpaid principal balance accordingly. If no payments were made under the mortgage, interest is paid for the period beginning 30 days prior

to the date of the first scheduled payment.

Mortgage interest is paid to the earliest of the following dates:

1. the date of institution of foreclosure proceedings,
2. the date of acquisition of title and possession by deed in lieu of foreclosure,
3. the date the property was acquired by the Commissioner under a direct conveyance from the mortgagor,
4. 90 calendar days following the date the mortgagor fails to meet the requirements of the forbearance agreement, or
5. such other date as the local HUD office may approve in writing prior to expiration of the 90-calendar day period (24 CFR 203.402a).

The claim for this mortgage interest is made on line 121 of Part B of the claim form.

C.Computation Method. To obtain the amount of accrued mortgage interest due, multiply the Daily Interest Rate Factor by the amount of the unpaid principal balance. The Daily Interest Rate Factor is found in the Table in Appendix 8. This result is then multiplied by the number of days from the due date of the last completely paid installment to the date selected above as the "ending date." To assist in determining the number of days refer to the Julian Date Calendars provided in Appendix 9.

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EXAMPLE: Assume a \$90,000 mortgage financed at 13 1/4 percent interest rate for 30 years involved a broken special forbearance agreement. Prior to the agreement the regular monthly payment was \$ 1,400, consisting of a principal and interest payment of \$1,013.40 and a monthly escrow payment of \$386.60. The last completely paid installment prior to the agreement was August 1, 1983, at which time the unpaid principal balance was \$82,418.50. On November 14, 1983, a special forbearance agreement was entered in which the mortgagor agreed to pay \$250 on that date and \$250 on the 17th of each following month, but failed to make the payment due August 17, 1984. Since the agreement had been broken for 60 days on October 18, 1984, foreclosure proceedings were instituted on November 10. After considering the payment received during the agreement, which amounted to one complete installment, the due date of the last completely paid installment was advanced to September 1, 1983, at which time the unpaid principal balance was \$82,259. Since one complete escrow payment was also received, the amount of escrow was increased by \$386.60.

The mortgage interest is therefore calculated from September 1, 1983, to November 10, 1984, the date foreclosure was instituted.

D. Period for Which Debenture Interest is Paid. (24 CFR 203.410) Debenture interest is paid for the period beginning on one of the following dates and ending on the date of the initial payment or the date of interest curtailment.

1. the date of institution of foreclosure proceedings
2. the date of acquisition of title by the mortgagee or by HUD

HUD will compute the debenture interest at the time of payment of Part B and will adjust the amount of interest paid in the Initial Payment, if necessary.

Since debenture interest is calculated on the Unpaid Principal Balance when Part A is paid, before information about forbearance agreement is available, an adjustment in debenture interest is needed when Part B is processed. Mortgage Note Interest and debenture interest cannot be paid for the same period of time. If Mortgage Note Interest is claimed on Part B because of a special forbearance agreement, debenture interest already paid for the same period will be subtracted from the final settlement.

E. Extension of Time. (24 CFR 203.355) Although foreclosure may not be initiated or title may not be acquired within nine months of default because of the existence of a forbearance agreement the mortgagee need not request an extension of time. If the insurance claim includes a payment of mortgage interest, debenture interest begins on the date of foreclosure initiation or title acquisition, not the date of default (24 CFR 203.410).

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Since mortgage interest ceases 90 days after the mortgagor failed to meet the requirements of the agreement and debenture interest does not begin until foreclosure initiation or title acquisition, there will be a period of time when no interest accumulates if the mortgagee fails to initiate foreclosure within the 90 day period.

Should the mortgagee be prohibited from initiating foreclosure within the 90 day period because of bankruptcy or state law, or assignment consideration by the local office the mortgagee should request an extension of the period for which mortgage note interest is to be paid, on form HUD 50012 before the 90 day period expires. The field office will extend the time to 60 days after the expiration of the bankruptcy or state law prohibition.

A.Unapplied Payments. Unearned Section 235 assistance is to be returned to HUD via the Section 235 billing process. Earned Section 235 assistance payments should be applied to the mortgagor's account in full installments to advance the date of default. Partial payments which remain unapplied must be reported in line 123 of Part B.

B.Overpaid Assistance. If the mortgagee advanced its own funds to repay overpaid Section 235 assistance to HUD and has not recovered the full advance from the mortgagor, the unrecovered advance shall be entered in Column B line 124 of Part B.

2-22 DOCUMENTS TO BE SUBMITTED.

It is very important that all required documentation be forwarded to the appropriate locations in a timely manner. Failure to meet any of the documentation requirements could jeopardize all or part of the claim reimbursement (24 CFR 203.363). The various documentation requirements imposed on the mortgagee are designed to provide critical control and notification functions which enable HUD to expedite the payment of a claim. For example, it is critical that at the time of the initial application, the appropriate documentation is simultaneously mailed to the local HUD office. This provides the local office with timely notice that a property is now in HUD's inventory. If such notice is not provided to the local office at the time of the initial application, the mortgagee may not receive reimbursement for claimed expenses and may be liable for subsequent damage to the property.

Following is a listing of the documents which must be submitted on conveyance claims, the location they must be sent to, and when they must be sent.

A.On the Date the Deed is Filed for Record. On the date the deed to HUD is filed for record or mailed to the recording authority, all required documents must be sent to HUD Headquarters and the local HUD office as follows:

1.TO HUD HEADQUARTERS

- a.The original Part A
- b.The original Mortgage Insurance Certificate
- c.Worksheet showing reallocation of mortgage payments if capitalized method of accounting is used.

2.TO THE LOCAL HUD OFFICE

- a. A copy of Part A
- b. A copy of the deed to HUD filed for record
- c. A copy of the Mortgage Insurance Certificate
- d. Copies of the last tax bills paid to each taxing authority
- e. A copy of HUD's letter approving damaged conveyance of the property under 24 CFR 203.379(a), if applicable
- f. The mortgagee's certificate that the conditions of 24 CFR 203.379(b), relating to fire damage, have been met, if applicable
- g. A copy of documentation that will verify that appropriate action was taken to protect and preserve the property, if applicable
- h. Keys to the property, if available

B. Within 45 Days After the Date the Deed was Filed for Record. (24 CFR 203.365) Within 45 days after the date the deed to HUD was filed for record or mailed to the recording authority, all required documents must be sent to the local HUD office as follows:

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- 1. TO THE LOCAL HUD OFFICE
 - a. Title evidence reflecting ownership vested in the Secretary
 - b. A copy of the mortgage
 - c. A copy of Part A
 - d. A statement relating to title defects if 24 CFR 203.390 applies

C. Within 45 Days After Deed was Filed for Record or upon Receipt of Title Approval Letter if later. All required documents must be sent to HUD Headquarters and the local HUD office as follows:

1. TO HUD HEADQUARTERS

- a. The original Part B

b. The original Title Approval Letter

c.A copy of the local HUD office approval of excess costs and Part C, if applicable (see paragraph 2-11)

d. A copy of the executed special forbearance agreement, if applicable

e. Payment ledger or other documents supporting loan balance difference (line 107, Part B)

2. TO THE LOCAL HUD OFFICE

a. A copy of Part B

b. The original Parts C, D and E

HUD must receive the required documents within the later of
(i) 15 days after the date of the Title Approval Letter, or
(ii) 55 days after the date the deed to HUD was filed for
record (or mailed to the recording authority).

The following Table (Table 2-1) illustrates the document submission requirements for conveyance claims.

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CONVEYANCE CLAIM SUBMISSION REQUIREMENTS

2-23 CLAIM PREPARATION - CONVEYANCES.

The claim must be completed as described below using HUD Form 27011, Single Family Application for Insurance Benefits. To avoid delays in payment, the claim must be complete and accurate and contain all information requested. See Par. 1-3 on pre-screening of applications.

A. Instructions for the Completion of HUD Form 27011, Part A, Initial Application. The following Item by Item instructions are to be used when completing HUD Form 27011, Part A, for conveyance claims.

PART A --- INITIAL APPLICATION

INITIAL APPLICATION

Item 1 Claim Type. Place an "X" in the space for Claim Type 01 = Conveyance.

Items 2 and 3 FHA Case Number and Section of Act Code. Enter the FHA Case Number and the appropriate Section of the National Housing Act ADP code. All mortgages endorsed since 1962 use the first style shown below, with three numerals, then a hyphen, then six numerals (or seven including the check digit). Be sure to include the hyphen on the claim, whether the claim is submitted on paper or through electronic data interchange (EDI), even though CHUMS may omit it. The three other acceptable FHA case number formats, for pre-1962 mortgages, are also illustrated below. All models include the Section of the Act (SOA) ADP codes. The formatted case number appears on the MIC or the advanced notice of S/F Annual MIP unless the case is included in CHUMS, as in "5" below.

| | |
|--------------------------|--------------|
| (1) X X X - X X X X X X | X X X |
| or X X X - X X X X X X X | |
| FHA Case No. | SOA ADP Code |

| | | |
|-----|-------------------------|---|
| X X | (2) X X - X X X X X X X | X |
|-----|-------------------------|---|

| | | |
|-----|-----------------------|---|
| X X | (3) X X X X X X - X X | X |
|-----|-----------------------|---|

| | | |
|-----|-------------------------|----|
| X X | (4) X X X - X X X X X X | X |
| | FHA Case No. | SO |

(5) X X X X X X X X X X X X X
FHA Case No. SOA ADP Code
(used in CHUMS)

Item 4 Default Reason Code. Enter the applicable code number from the default reasons listed below. If code 15 is used, explain the reason on the reverse of Part A under "Mortgagee's Comments."

| CODE | REASON |
|------|--|
| 01 | =Death of a principal mortgagor |
| 02 | =Illness of a principal mortgagor |
| 03 | =Illness of mortgagor's family member |
| 04 | =Death of mortgagor's family member |
| 05 | =Marital difficulties |
| 06 | =Curtailment of income (Reduction of income of a borrower) |
| 07 | =Excessive obligations - same income, including habitual nonpayment of debts |
| 08 | =Abandonment of property |
| 09 | =Distant employment transfer |
| 10 | =Neighborhood problem |
| 11 | =Property problem |
| 12 | =Inability to sell property |
| 13 | =Inability to rent property |
| 14 | =Military service |

15 =Other (explain in Mortgagee comments)

Item 5 Endorsement Date. Enter the endorsement date that appears on the Mortgage Insurance Certificate. If the mortgage was insured before MIC's were issued, enter the endorsement date that appears on the note.

Item 6 Date Form Prepared. Enter the date the HUD form 27011 is completed and submitted to HUD. To avoid debenture interest curtailment, Part A must be submitted on the same day the deed is filed for record, or mailed to the recording authority. See paragraph 2-2.

* Note: Although HUD permits 10 days from this date to receive the HUD Form-27011 before curtailing interest for late submission, you are required to enter in Item 6 the date of the actual submission (mailing) date of the form.*

Item 7 Due Date of First Payment to Principal and Interest. Enter the date the first payment to Principal and Interest is due. Obtain this date from the mortgage note.

Item 8 Due Date of Last Complete Installment Paid. Enter the date the last complete installment paid was due, not the date it was paid. This Item should be taken from the payment ledger. If no payments have been made, enter the date in Item 7 (Due Date of the First Payment to Principal and Interest). Note that the date in this Item will always be the first of the month.

Item 9 Date of Possession and Acquisition of Marketable Title. Enter the later of the date the mortgagee acquired good and marketable title to the property or the date it acquired possession of the property.

The mortgagee acquires the title to the property on the date of the Sheriff's or Trustee's deed or the deed-in-lieu of foreclosure is recorded. If the deed conveys title directly

to HUD, rather than to the mortgagee, the date the deed is recorded will be considered the date the mortgagee acquired title, except that any redemption period must have elapsed in order for title to be marketable.

*

The mortgagee acquires possession of the property on the date the property was discovered, or should have been discovered, to be vacant (see paragraph 2-9).

Exception: If the mortgagee requested permission to convey occupied and the request was either approved or unanswered enter either (i) the date of HUD's approval to convey the property occupied, or (ii) the date on which 90 days have elapsed since the mortgagee notified HUD as provided in 24 CFR 203.671(c) of the occupied conveyance regulations (see paragraph 2-9).

Item 10 Date Deed or Assignment Filed for Record or Date of Closing or Appraisal. Enter the date the deed conveying the property to the Secretary is filed for record. The date the deed is mailed to the recording authority may be entered. Do not enter the date the deed is mailed to an attorney.

Note: Whichever date is entered (recording or mailing) will be used in evaluating all other related time requirements and cannot be altered.

Item 11 Date Foreclosure Proceedings (a) Instituted or (b) Date of Deed In Lieu. Check the appropriate box and enter the date of the first public action taken which was required by law to initiate foreclosure (e.g., filing a complaint or petition, recording a notice of default, or publication of a notice of sale) or the date the deed-in-lieu was recorded, whichever is applicable. If foreclosure was instituted and a deed in lieu was then obtained, check both blocks and enter both dates. If the foreclosure action was nullified under state law by the filing of a bankruptcy petition, enter the date on which the foreclosure action was

* re-instituted. If the deed-in-lieu is directly

conveyed to the Secretary, the date the deed is mailed for recording may be used.

*

Item 12 Holding Mortgagee Number (Payee). Enter the complete 10-digit mortgagee number of the holding mortgagee.

Note: This number determines the payee's name and the address to which the insurance benefits check and claim payment data are mailed.

Item 13 Servicing Mortgagee Number. Enter the complete 10-digit mortgagee number of the servicing mortgagee.

Note: This number determines the name and address to which all computer generated letters and claim payment data are mailed. Information will be mailed only to the holding mortgagee if this Item is not completed.

Item 14 Mortgagee Reference Number. Enter the loan number (maximum 15 digits) used by the mortgagee for identifying the case if any. This number will be printed on the benefits check. If the mortgagee is FNMA or GNMA, the FNMA or GNMA loan number must be entered.

Item 15 Original Mortgage Amount. Enter the original mortgage amount. This figure should be taken from the mortgage note. If there has been a recast of the mortgage, make a notation of the recasting on the reverse side of Part A under "Mortgagee's Comments" and make reference to 24 CFR 203.342.

Item 16 Holding Mortgagee EIN. Not Applicable.

Item 17 Unpaid Loan Balance as of Date in Item 8 (Item 11 if coinsurance). Enter the unpaid mortgage balance after crediting the last complete monthly installment paid. This figure is taken from the mortgagee's payment ledger. Partial payments insufficient to complete a full monthly installment are to be reported in Part B, Item 109 as escrow funds.

Item 18 Date of Firm Commitment. Enter the date of the firm commitment. This date should be taken from the firm commitment document, if available. The

debenture interest rate is determined by the firm commitment date or the date of endorsement, whichever yields the higher rate. If the case was insured under the Direct Endorsement Program or the commitment date is not available, this Item must be left blank. Direct endorsement mortgages may be identified by the suffix code 700 through 799. Do not enter a date here if this is a Direct Endorsement or a converted co-insurance loan.

Item 19 Expiration Date of Extension to Foreclose/ Assign. If an extension of time is requested by the mortgagee and granted by the local HUD office, enter the expiration date of that extension. The extension must be in writing. See paragraph 1-6.

If bankruptcy is involved or if state or local laws delay action, the mortgagee need not obtain approval to extend the date to begin foreclosure. Enter the date 60 days (see note below) after the date of the release of bankruptcy, unless an additional extension period is approved by the local HUD office. The latest extension date must always be entered. This 60 day extension is applicable only when the bankruptcy precluded initiation of foreclosure within

* the timeframe. See paragraph 2-17. When an attempt at a Pre-Foreclosure Sale (PFS) is unsuccessful, the mortgagee has an automatic 60-day extension from the date of the notice of termination from the PFS program to initiate foreclosure.

NOTE: In certain circumstances (terms of demand letter or requirement to send assignment letters) it may be appropriate to enter more than 60 days.

See paragraph 2-17A, 2, a.

*

Item 20 Date of Notice/Extension to Convey. If an extension of time to file the deed for record to HUD is approved by the local HUD office, enter the expiration date of the extension.

Item 21 Date of Release of Bankruptcy. If Applicable. Enter the date the bankruptcy stay or the local law prohibition was released. Note: When there is more than one bankruptcy, and the mortgagee is entitled to a 60 day extension to begin

foreclosure, enter the release date which applies to the extension.

* Item 22 Is Property Vacant? Yes or No - Check one to indicate the occupancy status as of the date in Item 9.*

Item 23 If Item 22 is "No." Date of Local HUD Office Approval - Enter the date the local HUD office approved the occupied conveyance.

If conveyed property is occupied without HUD approval, as indicated under 24 CFR 203.671(c), enter the 90th calendar day after mortgagee notification to HUD requesting occupied conveyance.

Item 24 Is Property Conveyed Damaged? Yes or No - Check "yes" if the damage falls into the

* categories listed in paragraphs 2-10 and 2-11. *

If there is no damage or if there is damage to the property which is not covered by the above sections, check "no." In the latter case, specify on the reverse of Part A under * "Mortgagee's comments", the type of damage, an explanation of why it does not fall into the categories listed in paragraphs 2-10 and 2-11, and if any immediate repairs are needed. *

* Note: When there is damage to the property and Item 24 is checked "no", the mortgagee must attach to the copy of the Part A sent to the Field Office, copies of documentation relating to all protection and preservation work performed on the property.

* Item 25 If Item 24 is "Yes," Date of (a) Local HUD Office Approval (pursuant to 203.379(a)(1)) or (b) Certification (pursuant to 203.379(a)(2))

- Enter the date of the HUD approval letter or the mortgagee certification letter, whichever is applicable. Attach a copy of the certification letter to Part A (copy 1) which is sent to the local HUD office.

Item 26 Type of Damage - Check appropriate box. If more

than one type of damage, check the type that caused the greatest damage. Do not complete this Item if Item 24 is checked "no."

Item 27 Recovery or Estimate of Damage - A figure must be entered here if Item 24 is "yes" and 25(a) applies. If the local HUD office approved conveyance of the property in a damaged condition, enter the greater of HUD's estimate to repair the damage (obtained from the local HUD office) or the amount of the insurance recovery. If the insurance recovery is not received when this Item is completed, estimate the amount. AN AMOUNT MUST BE ENTERED.

If Item 25(b) applies, enter the amount of the insurance recovery, if any. If insurance recovery has not been received, estimate the amount.

Item 28 Is Mortgagee Successful Bidder? Yes or No - Not applicable.

Item 29 Deficiency Judgment Code. Enter the code number 1, 2, 3 or 4 as appropriate. See below.

Code

1Enter "1" - If HUD authorized you to obtain a deficiency judgment, but you did not acquire one.

2Enter "2" - If you obtained a deficiency judgement, but HUD did not authorize you to do so.

3Enter "3" - If HUD authorized you to obtain a deficiency judgment and you were successful in obtaining one.

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4Enter "4" - If HUD did not authorize a deficiency judgment and you did not obtain one.

Item 30 Authorized Bid Amount. - Enter the amount of the CAFMV, if the local HUD office provided one.

Item 31 Mortgagee Reported Curtailment Date - If the mortgagee failed to comply with a time requirement for any of the following circumstances a)

reasonable diligence, b) notice of foreclosure, or c) failure to initiate foreclosure within nine months of default (within one year if default occurred prior to December 1, 1992) and subsequent payments advance the default date, enter the date the action should have been taken. If there was more than one failure, enter the earliest date on which a required action should have been taken.

Item 32 Schedule of Tax Information. Enter complete information on the last amount paid for each type of tax or assessment. If a tax has not been paid because it was not available for payment before conveyance, show the exact title of the tax or assessment to which it is subject. If a tax was not paid because of a Homestead or similar exemption, identify the tax and enter the exemption type in the "Amount Paid" column.

Type of Tax/Tax Year. Enter the exact title of the tax or assessment with installment information, if applicable (e.g., county tax, first half or school district tax, second half) and the year for which the tax assessment was levied.

Collector's Property Identification. Enter the number used by the taxing authority to identify the property.

Amount Paid. Enter the amount paid for each type of tax or assessment (excluding penalties and interest) and attach a copy of the bill to the copy of Part A sent to the local HUD office. If no tax was paid because of a

Homestead or similar exemption, enter the exemption type. If the tax was not paid for other reasons, enter "None."

Period Covered, From - To. Enter the dates covered by the tax whether paid or not and without regard for the due date.

Date Paid. Enter the date of actual payment. All tax bills available before conveyance should be paid regardless of the due date. Tax bills received after the date the deed is filed for record

should be sent to the local HUD office, identified by the FHA case number and the taxing authority identification number.

Internal Revenue Service (IRS) Lien. If there is an IRS tax lien, enter the date and the expiration of the lien on the reverse side of Part A under "Mortgagee's Comments."

Item 33 Mortgagor's Name, Social Security Number and Property Address. - Enter the name of the mortgagor in default as it appears on the ledger record. Enter the property address as it appears on the security instrument or the mortgage insurance certificate.

Enter the social security numbers of all mortgagors, if known. At least one social security number is required. See paragraph 1-8 for additional information.

Item 34 Brief Legal Description of Property. Enter a brief description of the property. This information is found on the mortgage which should agree with the deed to HUD.

Item 35 Name and Address of Mortgagee. Enter the name and address of the mortgagee, including the ZIP code.

Item 36 Name and Address of Mortgagee's Servicer. Enter the name and address of the mortgagee's servicer, including the ZIP code and the name

and telephone number of a contact person who can answer questions about the claims.

Items 37
and 38 Mortgagee Official Signature, Date and Title, and Servicer Signature, Date and Title. The claim must be signed and dated by an official of the holding mortgagee if the holding mortgagee is * filing the claim. If a servicer is filing the claim on behalf of the mortgagee, an official of the servicer must sign and date the form. The

application must be complete when signed and the actual date signed must be entered by the signing official. The application will be returned if it is not signed or if it contains a stamped or * duplicated signature.

duplicated signature.

* Note to
signing
official: Please be sure you have read and understand the certifications on the HUD Form-27011 before signing and dating. If your system prints the date in items 37 and 38, check to ensure this is the date you are signing the form. Also check the submission date in item 6 to ensure it does not reflect an earlier date. The date in item 6 should be the same date as item 37 or item 38.

*

Item 39 Amount of Monthly Payment to: (a) FHA insurance, (b) Taxes, (c) Hazard Insurance and (d) Interest and Principal. Not applicable.

Item 40 If Bankruptcy Filed, Enter Date. Enter the date last bankruptcy filing related to the release shown in item 21. If there is more than one bankruptcy, enter the filing and release dates in the mortgagee comments section.

Item 41 If Conveyed/Assigned Damaged, Date Damage Occurred. Enter the date the mortgagee or its agent first became aware of damage to the property. This date should be available in the Inspection Reports. If there are no Inspection Reports because the property was occupied and the date of damage is not known, enter an estimated date

and indicate in the Mortgagee Comments section that the date is an estimate.

Item 42 Date HIP Canceled or Refused, if Applicable. Enter the date the fire insurance policy was canceled or refused by the insurer, if the property was damaged by fire and the mortgagee executes a certification pursuant to 24 CFR 203.379(a)(2) (a date will be entered in Item

25b).

Item 43 Number of Living Units. Enter the number of living units in the property.

Item 44 Status of Living Units. Indicate if the property is vacant or occupied for each living unit by checking the appropriate box. If the unit is occupied, enter the occupant's name. If the unit is vacant, enter the date vacated (as best as can be determined) and the date the mortgagee secured the property.

Mortgagee's Comments, if any. Use this area to justify unusual circumstances as well as other information required by the instructions.

HUD's Comments, if any. HUD USE ONLY.

B. Instructions for the Completion of HUD Form 27011, Part B, Fiscal Data. The following Item-by-Item instructions are to be used when completing HUD Form 27011, Part B, for conveyance claims. Prepare this Part after Parts C, D and E have been completed. The information entered in this Part is transferred from Parts C, D and E.

PART B

FISCAL DATA

Item 100 Mortgagor's Name and Property Address. Enter the mortgagor's name and property address as they appear in Item 33 of Part A.

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Items 101 and 102 FHA Case Number and Section of Act Code. Enter the FHA Case Number and Section of the Act Code as they appear in Items 2 and 3 of Part A.

Item 103 Mortgagee's Reference Number. Enter the mortgagee's Reference Number as it appears in Item 14 of Part A.

Item 104 Date Form Prepared. Enter the date Part B is prepared and submitted to HUD (See Paragraph 2-2).

Item 105 Expiration Date to Submit Title Evidence, if Applicable. If an extension of time to submit title evidence or Part B was requested and

approved by the local HUD office, enter the date the approval expires.

Item 106 Check if Supplemental. Not applicable.

Item 107 Adjustment to Loan Balance (if different from block 17 on Part A). If the amount of the unpaid principal balance reported in Item 18 on Part A is incorrect, enter the difference between the unpaid principal balance allowed by HUD in the Initial Payment and the amount that should have been paid. The adjustment may be a deduction (Column A) or an addition (Column B). If there is an adjustment, attach copies of the payment ledger or documents supporting the adjustment to the original Part B. If the capitalization method was used, also include a worksheet showing the re-application of payments to principal and interest.

Item 108 Sale/Bid Price or Appraisal Value (for Coinsurance or Nonconveyances). Not applicable.

Item 109 Escrow Balance (as of Date in Block 10, Part A). Enter amount remaining in escrow account as of the date the deed is filed for record. Also include any funds

received on account of the mortgage which have not been applied to reduce the indebtedness, e.g., partial payments, hazard insurance refunds, buydown monies, funds held in escrow for on-site repairs (pursuant to Form HUD-92300, Assurance of Completion Agreement). DO NOT SEND ESCROW FUNDS TO HUD.

oSee Item 123 for instructions on how to adjust the claim for unapplied Section 235 assistance payments.

oPayment of expenses for which funds are escrowed shall be charged to the escrow account in full or in part until the escrow account balance equals zero. Expenses paid from available escrow funds are not to be recorded on Part D.

oDO NOT ENTER A NEGATIVE BALANCE. Advances by the mortgagee for expense payments normally charged to the escrow account shall be recorded under Part D, Items 305 or 311, as appropriate. When the first

occurrence of an expense results in a negative balance to escrow, enter the negative amount in Item 305 or 311, whichever is appropriate. Interest on advances shall be computed from the date of disbursement to the date the claim is mailed. If there were any advances from escrow prior to the date of default, interest is calculated from the date of default.

oIllustration of Mortgagee Advances:

| | Date Due | Date Paid | Interest | Principal | Escrow Adjustment | Escrow Balance |
|-----------------|-------------|--------------|----------|-----------|----------------------|-------------------|
| Balance Forward | | | | | | \$151.60 |
| 1/01/83 | 2/03/83 | \$73.32 | \$21.07 | \$70.69 | 222.29 | |
| | 8/03/83 | | | 198.98- | 23.31 | |
| | 12/11/83 | | | 51.19- | (27.88)/1 | |

Item 110 Total Disbursements for Protection and
Preservation from Line 264, Part C. Enter the
total

1First amount to be entered on Part D, Item 305 or 311, as applicable. Interest should only be calculated on \$27.88 not the \$51.19.

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amount of disbursements and debenture interest appearing in Part C, Item 264. Note on the reverse side of this part any authorization obtained from the local HUD office for approvals to exceed allowable amounts.

Item 111 Total Disbursements from Item 305, Part D. Enter the total amount paid and debenture interest appearing in Part D, Item 305.

Item 112 Attorney/Trustee Fees Paid From Line 306, Part D. Enter the amount and debenture interest appearing in Part D, Item 306. HUD WILL CALCULATE THE TWO-THIRDS ALLOWANCE FOR BOTH EXPENSES AND INTEREST.

Item 113 Foreclosure, Acquisition, Conveyance and Other Costs from Line 307, Part D. Enter the amount and debenture interest appearing in Part D, Item 307. HUD WILL CALCULATE THE TWO-THIRDS ALLOWANCE FOR BOTH EXPENSES AND INTEREST.

Item 114 Bankruptcy Fee (if applicable) from Line 310, Part D. Enter the amount of bankruptcy fees paid and debenture interest appearing in Part D, Item 310.
HUD WILL CALCULATE THE TWO-THIRDS ALLOWANCE FOR BOTH EXPENSES AND INTEREST.

Item 115 Rental Income. Enter any income from the rent of the property between the date foreclosure proceedings were instituted (or property otherwise acquired) and the date the property was conveyed to the Secretary.

Item 116 Rental Expense. Enter rental expenses incurred, if any. If there is no entry in Item 115, make no entry in this Item. This entry cannot exceed the amount shown in Item 115.

Item 117 Total Taxes on Deed from Line 308, Part D. Enter the total amount paid and the debenture interest shown in Item 308, Part D.

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Item 118 Recovery or Damage (if not reported on Part A). Use Line 119 if Reported on Part A. If not reported in Item 27 of Part A enter the amount of HUD's estimate of damage, insurance recovery or any other recovery the mortgagee may have received in connection with damage to the property.

Item 119 Estimate or Recovery from Part A. Complete this Item only if the property was damaged at the time of conveyance and an insurance recovery has been received. Its purpose is to adjust the amount entered in Item 27 to reflect the amount of insurance proceeds actually received. However, the adjustment may not result in a deduction from insurance benefits of a total amount less than HUD's estimate of the cost of repairs. See Paragraph 2-12B.

No entry should be made under the following circumstances:

1. There has been and will be no insurance recovery.

2. The actual insurance recovery is the same as the amount of recovery or HUD's estimate of damage reported in Item 27.

If it is necessary to complete this Item, make the following entries:

1. Estimate of Recovery from Part A. Enter HUD's estimate of the cost of repairs or the insurance recovery, whichever is greater, reported in Item 27.

2. Total Insurance Recovery. Enter the total amount of insurance proceeds received.

3. Adjusted Amount (plus or minus). Enter the difference between the "Estimate of Recovery" and the "Total Insurance Recovery". If the "Total Insurance Recovery" is greater, enter the difference in Column A; if it is less, enter it in Column B.

Example 1. The Total Insurance Recovery is more than HUD's estimate of repair costs and the mortgagee's estimate of recovery.

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Assume Insurance Recovery of \$8,820, HUD's estimate of \$8,650 and an Estimate of Recovery of \$8,500.

| | Estimate of Recovery from Part A |
|---------|----------------------------------|
| \$8,650 | |
| | Total Insurance Recovery |
| 8,820 | |

| | Adjusted Amount (enter in Column A) |
|---------|-------------------------------------|
| (\$170) | |
| ===== | |

Example 2. The Total Insurance Recovery is less than the mortgagee's Estimate of Recovery but more than HUD's estimate of repair costs. Assume Insurance Recovery of \$8,650, HUD's Estimate of \$8,350, and an Estimate of Recovery of \$8,820.

| | Estimate of Recovery from Part A |
|--------------------------|----------------------------------|
| \$8,820 | |
| Total Insurance Recovery | 8,650 |

| | Adjusted Amount (enter in Column B) |
|-------|-------------------------------------|
| \$170 | |

=====

Example 3. The Total Insurance Recovery is less than HUD's Estimate of Repair Costs and the mortgagee's Estimate of Recovery, but the mortgagee's Estimate of Recovery is more than HUD's estimate of repair costs. Assume Insurance Recovery of \$8,350, HUD's Estimate of \$8,650, and an Estimate of Recovery of \$8,820.

| | Estimate of Recovery from Part A |
|--------------------------|----------------------------------|
| \$8,820 | |
| Total Insurance Recovery | 8,350 |
| | Adjusted Amount \$470 |

=====

The adjusted amount of \$470 cannot be entered in Column B because this would result in a total deduction from insurance benefits of \$8,350 ($\$8,820 - \$470 = \$8,350$) and at least \$8,650 (HUD's estimate) must be deducted. Therefore, the difference between mortgagee's estimate (the amount deducted in Part A) and HUD's estimate ($\$8,820 - \$8,650 = \$170$) should be entered in Column B.

Item 120 Special Assessments (DO NOT USE FOR COINSURANCE) from Line 309, Part D. Enter the total amount paid and debenture interest which appear in Item 309, Part D.

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Item 121 Mortgage Note Interest. Mortgage note interest will be included in the insurance benefits if a mortgagor fails to meet the requirements of a special forbearance agreement and the failure continues for at least 60 calendar days. See Paragraph 2-19.

From. Enter the date of the last completely paid installment after all funds received under the agreement are applied according to the terms of the mortgage (Item 8, part A). If no mortgage payments were made, enter a date 30 days prior to the due date of the first scheduled payment (Item 7, Part A).

To. Enter the earliest of the following dates:

1. the date of institution of foreclosure proceedings;

2. the date of acquisition of title and possession by deed-in-lieu of foreclosure;

3. the date the property was acquired by the Commissioner under a direct conveyance from the mortgagor;

4. 90 calendar days following the date the mortgagor fails to meet the requirement of the forbearance agreement; or

5. such other date as the local HUD office may approve in writing prior to expiration of the 90 calendar day period (24 CFR 203.402a).

Rate. Enter the mortgage interest rate as it appears on the mortgage note.

Compute the amount of mortgage interest due as instructed in Paragraph 2-20 and enter in Column C.

Item 122 Mortgage Insurance Premiums. Enter total from Item 311, Part D.

Item 123 Unapplied Section 235 Assistance Payments. Enter unapplied assistance payments in Column A, if applicable. See paragraph 2-21.

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Item 124 Overpaid Section 235 Assistance Payment. Enter the amount of any funds advanced by the mortgagee to repay to HUD assistance to which the mortgagor was not entitled and which was not recovered from the mortgagor, unless the overpayment was the result of error on the part of the mortgagee. Amount is to be entered in Column B. Do not calculate debenture interest for Column C.

Items 125
thru 128 Not applicable. Any amounts appearing on these lines will be disallowed.

Item 129 Additional Closing Costs at Settlement. Enter the Total from Line 408 Part E. Do not calculate debenture interest on this amount.

Item 130 Appraisal Fee. Enter total from line 409, part E, if applicable. Interest may be entered in Column C.

Item 131 Deficiency Judgment Costs/Fees. Enter the total from Line 410, Part E, if applicable. Interest may be entered in Column C.

Item 132 Reserved.

Item 133 Contact: Holding Mortgagee, Name and Telephone Number; or Contact: Servicing Mortgagee, Name and Telephone Number. Enter the name and telephone number of a person in the holding or servicing mortgagee's office who can answer questions concerning the information reported on this claim form. Include the Holding Mortgagee number which you entered in Item 12 of Part A.

Items 134
thru 136 Enter the totals of Columns A - Deductions; B - Additions; and C - Interest.

Item 137 Net Claim Amount (Columns B - A + C). The amount HUD actually pays will differ from what the mortgagee enters

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here because of possible interest curtailments, disallowed expenses, HUD's calculation of two-thirds allowances on attorney/trustee fees, foreclosure costs and bankruptcy fees, and additional debenture interest calculated by HUD to the date of claim settlement.

Items 138
and 139 Mortgagee's Official Signature, Date and Title (signature not necessary if signed by a servicer)
or Servicer Signature, Date, and Title. See instructions for Part A, Items 37 and 38.

C. Instructions for the Completion of HUD Form 27011, Part C, Support Document. The following Item-by-Item instructions are to be used when completing Form HUD-27011, Part C, for conveyance claims. Expenditures may be entered on Part C as they occur, however, debenture interest calculations should not be made until the date of claim submission because interest allowance will be computed from the date of expenditure to the date Part B is filed unless interest is curtailed.

No expenses should be incurred and no work performed on the property after the date the deed is filed for record. This does not preclude reimbursement for expenses incurred or work completed before conveyance but not paid until after conveyance.

If the local HUD office instructs the mortgagee to perform a specific service after the date of conveyance, a notation must be made on the reverse of the form under "Mortgagee's Comments".

Each expense listed for reimbursement must be Itemized and sufficient information must be provided for computation of debenture interest. See Paragraph 1-7.

PART C

SUPPORT DOCUMENT

Item 200 Mortgagor's Name and Property Address. Enter the mortgagor's name and property address as they appear in Item 33 of Part A.

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Items 201 and 202 FHA Case Number and Section of Act Code. Enter the FHA case number and Section of the Act Code as they appear in Items 2 and 3 of Part A.

Item 203 Mortgagee's Reference Number. Enter the mortgagee's reference number as it appears in Item 14 of Part A.

Item 204 Date. Enter the date entered in Part B in Item 104 if all actions taken by the mortgagee are within the time requirements or the automatic extensions specified in Paragraph 2-2 or within the extended time requirements (See Paragraph 1-6). If the mortgagee failed to comply with a time requirement (including actions reported in Part A) or its approved extension, enter the date the action should have been taken. Debenture interest will be computed to this date. If there was more than one failure, enter the earliest date on which a required action should have been taken (See paragraph 2-5C).

Item 205 Debenture Interest Rate. Using the Debenture Interest Rate Table provided in Appendix 4 of these instructions, determine the rate at the date of firm commitment and the rate at the date of endorsement, then enter the higher rate. In

Direct Endorsement cases, enter the rate in effect on the date of endorsement. The debenture interest rate can also be found on the Part A advice of payment.

Items 206

through

261 Disbursements for Protection and Preservation.

Enter all inspection, protection and preservation expenses for which the mortgagee is not responsible. This includes debris removal, replacing broken glass, protecting plumbing and other operating systems against damage by freezing, care of lawns and shrubs, repair of leaking roof, etc. Describe the service performed, the date it was completed and the date paid. See paragraph 2-11 for the nature of reimbursable expenditures and

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cost limits. Enter expenses paid to board up the property if the field office gave prior approval.

Enter the date of each inspection and indicate whether it is an Initial, Occupancy or Vacancy inspection. See paragraphs 2-10 and 2-11. A copy of an inspection report must be maintained by the mortgagee for each inspection Itemized.

oDate Paid. A separate entry must be made for each payment. Enter the date the check was disbursed. If an expenditure or advancement was made prior to the date of default, enter the date of default and enter the actual date paid in parentheses following the description (See Paragraph 2-5C).

oDate Work Completed - If date is not available on the invoice, obtain this date from vendor or contractor. This is not necessarily the date of billing, but the actual date the work was completed.

oDescription of Service Performed - Enter a description of the Items or types of repairs and services performed, i.e., inspections. Additional space is provided on reverse of form.

oAmount Paid - Actual payment amounts are to be entered. This information will be

transferred to Part B, Fiscal Data.

oDebenture Interest - To obtain the amount of interest due on an expenditure, multiply the daily interest rate factor by the amount paid. Multiply this result by the number of days from the date paid for each line Item to the date in Item 204. Daily Interest Rate Factor tables are provided in Appendix 8 of these instructions to assist in converting the debenture interest rates. In addition, Julian date calendars are provided in Appendix 9 to assist in determining the number of days from the date the expenditure was paid to the date of submission of the claim or the curtailment date.

Note: If the claim includes mortgage interest under a special forbearance plan (Item 121), debenture interest is computed from the date of institution of foreclosure or

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acquisition of title by a deed-in-lieu, or from the date of expenditure, whichever is later.

Item 262 Subtotals. If reverse side of form is used to list protection and preservation costs, add amount paid and debenture interest columns.

Item 263 Subtotals Brought Forward. If reverse side of form is used, bring subtotals appearing in Item 262 to this line.

Item 264 Totals. Total the "amount paid" and "debenture interest" columns. Enter the totals on Part B, Item 110, Column C when completing Part B, Fiscal Data.

Items 265 and 266 Contact: Holding Mortgagee, Name and Telephone Number; or Contact: Servicing Mortgagee, Name and Telephone Number. Enter the name and telephone number of a person in the holding or servicing mortgagee's office who can answer questions concerning the information reported on this claim form. Include the Holding Mortgagee number which you entered in Item 12 of Part A.

Items 267
and 268 Mortgagee Official Signature, Date and Title (not necessary if signed by servicer) or Servicer Signature, Date and Title. A signature must appear in at least one of these blocks, however, it is acceptable if both the mortgagee and the servicer wish to sign this form.

Mortgagee's Comments, if any - Use this area to justify extremely large expenditures, as well as other information required by these instructions.

HUD's Comments, if any - HUD USE ONLY.

D. Instructions for the Completion of HUD Form 27011, Part D, Support Document (Continuation 1). Expenditures may be entered on Part D as they occur, however, debenture interest calculations should not be made until the date

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of claim submission because interest allowance will be computed from the date of expenditure to the date Part B is filed unless interest is curtailed.

oDate Paid - A separate entry must be made for each payment. Enter the date the check was disbursed. If an expenditure or advancement was made prior to the date of default, enter the date of default and enter the actual date paid in parentheses following the description (See Paragraph 2-5C).

oDescription of Service Performed - Enter a description of the Items or types of services performed. Additional space is provided on reverse of form.

oAmount Paid - Actual payment amounts are to be entered. This information will be transferred to Part B, Fiscal data.

oDebenture Interest - To obtain the amount of interest due on an expenditure, multiply the daily interest rate factor by the amount paid. Multiply this result by the number of days from the date paid for each line Item to the date in Item 304. Daily Interest Rate Factor tables are provided in Appendix 8 of these instructions to assist in converting the debenture interest rates. In addition, Julian date calendars are provided in Appendix 9 to assist in determining the number of days from the date the expenditure was paid to the date of submission of the claim or the curtailment date.

Note: If the claim includes mortgage interest under a

special forbearance plan (Item 121), debenture interest is computed from the date of institution of foreclosure or acquisition of title by a deed-in-lieu, or from the date of expenditure, whichever is later.

oTotal the "amount paid" and "debenture interest" columns.

PART D

SUPPORT DOCUMENT (CONTINUATION 1)

Items 300

and 301 FHA Case Number and Section of Act Code. Enter the FHA case number and Section of the Act Code as they appear in Items 2 and 3 of Part A.

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Item 302 Mortgagee's Reference Number. Enter the mortgagee's reference number as it appears in Item 14 of Part A.

Item 303 Debenture Interest Rate. Using the Debenture Interest Rate Table provided in Appendix 4 of these instructions, determine the rate at the date of firm commitment and the rate at the date of endorsement, then enter the higher rate. In Direct Endorsement cases, enter the rate in effect on the date of endorsement. The debenture interest rate can also be found on the Part A advice of payment.

Item 304 Date. Enter the date entered in Part B Item 104 if all actions taken by the mortgagee are within the time requirements or the automatic extensions specified in Paragraph 2-2 or within the extended time requirements (See Paragraph 1-6). If the mortgagee failed to comply with a time requirement (including actions reported in Part A) or its approved extension, enter the date the action should have been taken. Debenture interest will be computed to this date. If there was more than one failure, enter the earliest date on which a required action should have been taken (See paragraph 2-5C).

Item 305 Disbursements for HIP, Taxes, Ground Rents and Water Rates (which were liens prior to mortgage), Eviction Costs, Payments for Deed-in-Lieu and Other Disbursements Not Shown Elsewhere. (Do not

include any penalties for late payment). Itemize all disbursements in these categories. Do not include disbursements which were paid from available escrow funds. No expense should be incurred after the date the deed is filed for record (Item 10), except for costs associated with evictions or where the local HUD office instructs you to take an action. See explanation for escrow account, Part B, Item 109. See paragraph 1-10 for allowable attorney eviction fees.

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Item 306 Attorney/Trustee Fee. Itemize the fees paid to attorneys and trustees in connection with foreclosure or acquisition of title and conveyance of the property to the Secretary. Do not enter fees for bankruptcy or eviction in this item. If the fee for acquisition and conveyance is within the amount HUD approved for the area, do not itemize the elements of the fee. If attorney fees exceed those approved by HUD for routine foreclosures see paragraph 1-10. HUD WILL CALCULATE THE TWO-THIRDS ALLOWANCE (24 CFR 203.402).

Item 307 Foreclosure and/or Acquisition Conveyance and Other Costs. Enter all disbursements required to vest title to and possession of the property in the name of the mortgagee, and to convey any evidence of title to the Secretary except taxes paid on deeds included in Item 308 and disbursements shown in Item 306. These costs must be itemized e.g., title policy, resale title binders, title search fees (if separate costs), publication, service of process, etc. If additional space is needed, attach a separate sheet to Part D. HUD WILL CALCULATE THE TWO-THIRDS ALLOWANCE FOR EXPENSES AND INTEREST (24 CFR 203.402).

Item 308 Taxes on Deed. Enter amounts paid for taxes imposed upon any deeds or other instruments by which the property was acquired by the mortgagee and transferred or conveyed to the Secretary.
(Note: Deed taxes should not be included in Item 307.)

Item 309 Special Assessments (Do not use for Coinsurance, see part E). For each item in this category, enter the date the lien was attached or would be

attached. Do not include any special assessments which became liens before the mortgage was endorsed for insurance, if not noted in the application for insurance.

Item 310 Bankruptcy. Itemize the bankruptcy fees paid. There must be an entry in Item 40. If the bankruptcy fees exceed those approved by HUD for routine bankruptcies, see

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paragraph 1-10. HUD WILL CALCULATE THE TWO-THIRDS ALLOWANCE FOR EXPENSES AND INTEREST (24 CFR 203.402).

Item 311 Mortgage Insurance Premiums. Itemize all MIP disbursements, including the period covered. Only include the "advanced" MIP disbursements paid after the due date of the last completely paid installment to the date the deed is filed for record.

E. Instructions for the Completion of HUD Form 27011, Part E Support Document (Continuation 2). The following item by item instructions are to be used when completing HUD Form-27011, Part E for conveyance claims initiated under CWCOT procedure or the Preforeclosure Sale program and for claims involving approved deficiency judgment procedures.

PART E

SUPPORT DOCUMENT (Continuation 2)

Items 400
and 401 FHA Case Number and Section of Act Code. Enter the FHA case number and Section of the Act Code as they appear in Items 2 and 3 of Part A.

Item 402 Mortgagee's Reference Number. Enter the mortgagee's reference number as it appears in Item 14 of Part A.

Item 403 Debenture Interest Rate. Using the Debenture Interest Rate Table provided in Appendix 4 of these instructions, determine the rate at the date of firm commitment and the rate at the date of endorsement, then enter the higher rate.

Item 404 Date. Enter the date entered in Part B in Item 104 if all actions taken by the mortgagee are

within the time requirements or the automatic extensions specified in

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Paragraph 2-2 or within the extended time requirements (See Paragraph 1-6). If the mortgagee failed to comply with a time requirement (including actions reported in Part A) or its approved extension, enter the date the action should have been taken. Debenture interest will be computed to this date. If there was more than one failure, enter the earliest date on which a required action should have been taken (See paragraph 2-5C).

Items 405
thru 407 Overhead Costs; Amounts Due from Buyer at Closing;
Amounts Owed to Buyer at Closing. Not applicable.

Item 408 Additional Closing Costs. This item is only used in unsuccessful preforeclosure sale cases. Enter the \$250 administrative fee, if applicable. Do not enter interest for this item.

Item 409 Appraisal Fee. Enter the amount of the appraisal fee and date paid only if you were instructed to obtain an appraisal by the local HUD office while * complying with the CWCOT procedures. If debenture interest is payable the amount of interest may be entered in Line 130, Column C of Part B.*

Item 410 Deficiency Judgment Costs/Fees. Enter a figure here only if the local HUD office authorized you to obtain a deficiency judgment. The allowable costs and fees are as follows: (1) cost of reasonable and customary attorney fees which relate only to the obtaining of the deficiency judgment; (2) additional filing or recording fees directly related to the deficiency judgment; (3) if local law required a judicial foreclosure in order to obtain a deficiency judgment, those costs directly related to the judicial foreclosure, provided that judicial foreclosure would not, otherwise, have been necessary. If debenture interest is payable, the amount of interest may be entered in Line 131, Column C of Part B. *

Items 411
and 412 Reserved.
